



CAFR

City of Auburn,
Alabama

Fiscal Year Ending
September 30, 2017

Comprehensive Annual Financial Report



The City of Auburn, Alabama

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2017

City Council

Bill Ham, Jr., Mayor

Verlinda White

Ron Anders, Jr., Mayor Pro Tem

Beth Witten

Brent Beard

Lynda Tremaine

Dick Phelan

Gene Dulaney

Tommy Dawson

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James C. Buston, III, *City Manager*

Kevin Cowper, *Assistant City Manager*

Rick Davidson, *City Attorney*

Christopher Warren, *Library Director*

Phillip Dunlap, *Economic Development Director*

James McLaughlin, *Municipal Judge*

Timothy Woody, *Environmental Services Director*

Rebecca O. Richardson, *Parks and Recreation Director*

Penny L. Smith, *Finance Director/Treasurer*

Forrest Cotton, *Planning Director*

Steven A. Reeves, *Human Resources Director*

William H. James, *Public Safety Director*

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Prepared by the City of Auburn Finance Department

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 28, 2018

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, 2017 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, City of Auburn Public Park and Recreation Board, and Housing Authority of the City of Auburn. 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 2017:

- GASB Statement 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," expands the disclosure requirements for certain postemployment benefit plans administered through trusts. This statement does not currently affect the City.
- GASB Statement 77, "Tax Abatement Disclosures," requires governments that enter into tax abatement agreements to disclose certain information about the abatements, which will make these transactions more transparent to financial statement users.
- GASB Statement 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," addresses the scope and applicability of GASB 68 associated with pensions provided through certain multiple-employer defined benefit pension plans.
- GASB Statement 80, "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14," improves financial reporting by clarifying the financial statement presentation requirements for certain component units. Currently, the City does not have any blended component units.
- 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.

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

- GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," requires the recognition of a liability for obligations incurred under postemployment benefit plans. The requirements of this statement are effective for the fiscal 2018 reporting period.
- GASB Statement 81, "Irrevocable Split-Interest Agreements," improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement becomes effective for the fiscal 2018 reporting period.
- 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 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. This statement becomes effective for the fiscal 2018 reporting period.
- GASB Statement 86, "Certain Debt Extinguishment Issues," provides new guidance for in-substance defeasance of debt. The requirements of this statement are effective for the fiscal 2018 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 2017, Auburn was ranked number 7 out of 10 as one of “the South’s Best Small Towns 2017” by Southern Living. Also, USA Today ranked the Auburn-Opelika metro area 16th among cities with the most job growth in 2017. It cited the metro area’s low unemployment rate and 4.2% increase in jobs between January 2017 and October 2017.

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 63,118 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.

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

Approximately 496 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

In fiscal year 2017, the City continued to prioritize school funding. The City contributed \$13.2 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 August 4, 2017, the City issued an \$18 million General Obligation Warrant for construction of a new elementary school. The addition of this elementary school is the next step in a facilities plan developed by Auburn City Schools and the City of Auburn with the help of outside consultants and input from the public. The plan was introduced in 2014 and addresses continued growth in enrollment.

Construction continued on the Moores Mill Bridge Replacement Project during fiscal 2017. This multi-year project will provide a wider, five-lane bridge over Interstate 85. It also improves the intersection of Moores Mill Road at East University Drive and the intersection of Moores Mill Road at Grove Hill Road. This project is partially funded by the State of Alabama's Alabama Transportation Rehabilitation and Improvement Program (ATRIP).

As part of the City's plan to improve downtown parking, the City purchased a site for a new municipal parking lot on East Glenn Avenue. Work during 2017 included demolition of the existing structure on the lot and site preparation. Once complete, the 88 additional parking spaces will serve the Douglas J. Watson Municipal Complex, Felton Little Park and downtown Auburn.

The City also purchased 159 acres along Richland Road for use as future recreational facilities. This purchase was made as part of the City's Parks and Recreation masterplan, which addresses the current and future recreational needs of the City's growing population.

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 142 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 43 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 and less than 2.1 miles of unpaved road. 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. The City's Environmental Services Department maintains the cleanliness of the City's rights of way to a standard considered remarkable for a university town. Environmental Services collects household waste, recyclables, and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. During fiscal year 2017, approximately 15,350 households were served with 13,988 tons of garbage, 1,308 tons of recycling and 14,416 tons of yard waste collected. 70% of the yard waste collected was recycled.

In an effort to provide residents the opportunity to do a holistic cleanup around their properties each spring, Environmental Services provides an annual trash amnesty period where fees are waived for oversized debris piles. Environmental Services also hosts an annual household hazardous waste collection event and an annual comprehensive neighborhood clean-up event. This year's household hazardous waste collection event had 301 participants that disposed of ten 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 40 internet-connected computer workstations available to the public. During fiscal 2017, there were 77,553 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 2017, library patrons checked out 413,014 books, audiobooks, ebooks, and movies. In addition, 29,404 patrons attended the library's 899 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, classes for small 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 implemented self-checkout and RFID (radio frequency identification) technology, in order to expedite workflows for circulation and materials management.

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

Education Services Auburn City Schools provide services to more than 8,500 students. It is one of the fastest growing school systems in Alabama, averaging about 416 new students per year over the past five years. 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 twelve separate campuses. These campuses include eight 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 high school opened this school year with a 2,200 student capacity. Also, construction of a new elementary school began during fiscal year 2017.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. Auburn High School consistently produces an average of five National Merit finalists/semi-finalists each year from the senior class. Upon graduation, approximately 93% of the graduates move on to higher education. The graduation rate for Auburn High School was 90% and seniors were awarded more than \$18 million in scholarships. Concurrent college enrollment, through Auburn University and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School.

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

Auburn University, in Auburn

Columbus State University, Columbus, GA

Tuskegee University, Tuskegee

LaGrange College, LaGrange, GA

Huntingdon College, Montgomery

Southern Union State Community College, Opelika

Faulkner University, Montgomery

Chattahoochee Valley Community College, Phenix City

Auburn University, Montgomery

Central Alabama Community College, Alexander City

Troy University at Montgomery

Alabama State University, Montgomery

Auburn University, 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 5,000 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. EAMC's main building is licensed for 314 general, acute care beds and houses a 26-bed skilled nursing facility. Ninety percent of all patient rooms are private. 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 6,700 jobs in the last 20 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the newest park, Auburn Technology Park West, was completed in 2008. Construction of Phase II of this park is substantially complete and additional property was acquired in 2014 with development underway in 2015 with substantial completion in 2017.

The industrial sector showed continued growth in 2017. German manufacturer Winkelmann Group selected Auburn as the location for its first U.S. manufacturing in the Auburn Industrial Park. Beginning in 2018,

Winkelmann Flowform will commence production of high quality and precise flowformed metal parts for the space flight and aviation industries. Winkelmann Flowform specializes in high-precision, high-strength, thin wall roto-symmetrical parts from all kind of metals, including titanium and high-strength steel. Auburn continues to maintain a presence in other key sectors such as automotive and information technology.

Several other existing manufacturers also increased their capital investment in 2017, including 2a USA, Inc., Borbet Alabama, Inc., CSP Technologies North American, LLC, Lotte Chemical Alabama Corporation, SCA, Inc., and Touchstone Precision, Inc. The new industry announcements and expansions that occurred in 2016 will produce a combined total of approximately 63 new jobs for Auburn and a planned capital investment in excess of \$50 million.

The City's Commercial Development Incentive Program has brought numerous new and redeveloped commercial enterprises to our area. During 2017, this program facilitated the continued renovation and expansion of: Auburn Mall, which added fast-food chain Cook Out; Flint's Crossing Shopping Center, currently anchored by Panera Bread and Earth Fare; and Market Square Shopping Center. The program also facilitated new investment in: Cary Crossing, which will be anchored by Russell Building Supply; Restaurant Row, which houses two restaurants and Moe's Barbecue; Ross House Coffee, which renovated an old house into a coffee shop and roastery; and Stinky's Fish Camp.

Alongside business recruitment efforts, the City's Economic Development Department manages the activities of The City's Community Development Division. Community Development provides a variety of opportunities to improve the quality of life for Auburn's citizens identified as low to moderate-income. The Community Development Block Grant (CDBG) funds programs specifically targeted to Housing, Public Service and Special Economic Development activities. Affordable Housing, Emergency Housing Rehab, Housing Reconstruction, and Utility and Mortgage Assistance are examples of programs available to qualifying citizens in need. The East Alabama Food Bank, the North Auburn Housing Development Corporation, and Presbyterian Community Ministries (PCM) are a few agencies that administer CDBG funding and provide supportive services directly to applicants residing within the City limits. During 2017, the Community Development Division set out to renovate the Boykin Community Center, which was built in 1951 as Auburn's first public elementary school for African American students. The current tenants of Boykin are Auburn Day Care Center, Auburn Senior Center, Boys and Girls Clubs of Greater Lee County, and Joyland Development Center. After the renovations are complete, the Community Development Division will move to Boykin to better 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, five (5) loans have been issued to these entities operating within the City of Auburn and committing to make hires designated for low to moderate-income workers.

In fiscal 2017, building permits were issued for 529 new single-family detached residences valued at \$156.1 million and 56 new single-family attached residences valued at \$10.1 million. The average valuation for single-family detached homes was \$295,056 and \$179,827 for single-family attached homes. Also, fifteen new commercial and industrial facilities valued at \$18.3 million were permitted during fiscal 2017.

CompPlan 2030

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

Risk Management

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

Long-term Financial Planning

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

- Construction of a new Public Safety complex
- South College Street and Samford Avenue intersection improvements
- Boykin Recreation Center improvements
- Construction of a new parking deck
- 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 2017, idle cash was invested in U.S. treasury notes with 7 day-27 month terms and rates ranging from .25% to 1.17%. The City's demand deposit operating account is currently earning .25%.

During fiscal year 2017, the City invested school debt proceeds into a portfolio consisting of certificates of deposit and U.S. treasury notes. Debt proceeds were invested in certificates of deposit with 24-30 month terms and rates ranging from 1.05% to 1.15%. Debt proceeds were also invested in U.S. treasury notes with 15.5-22.5 month terms and rates ranging from .50% to .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 2017 period was 53.5%, 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*), 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 2017 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.

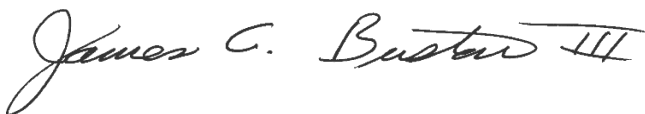
Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor’s reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore 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, 2016. This was the thirtieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2016. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

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

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



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**

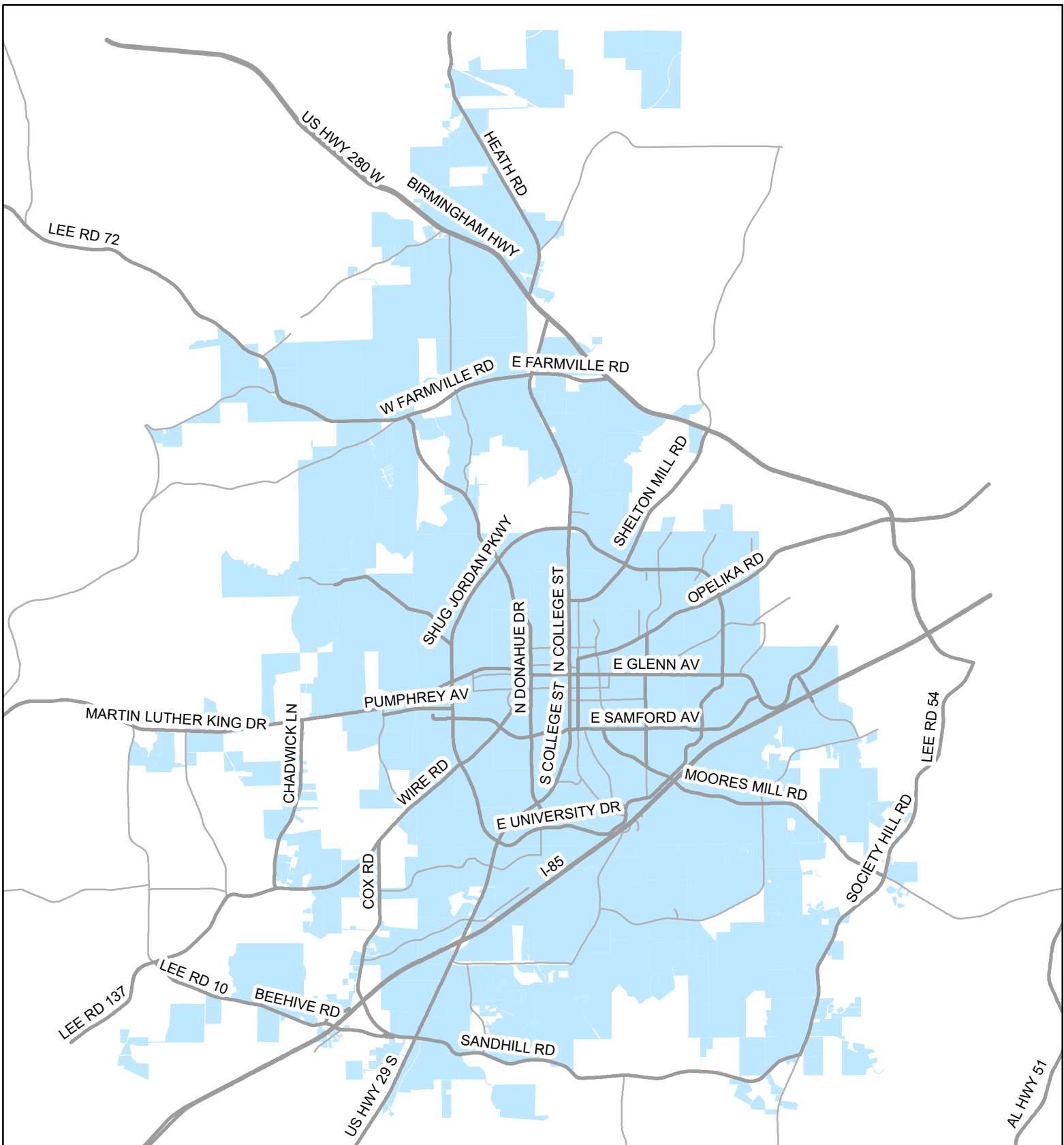
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

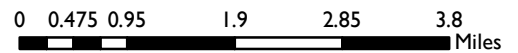
Christopher P. Morill

Executive Director/CEO

City of Auburn as of September 30, 2017



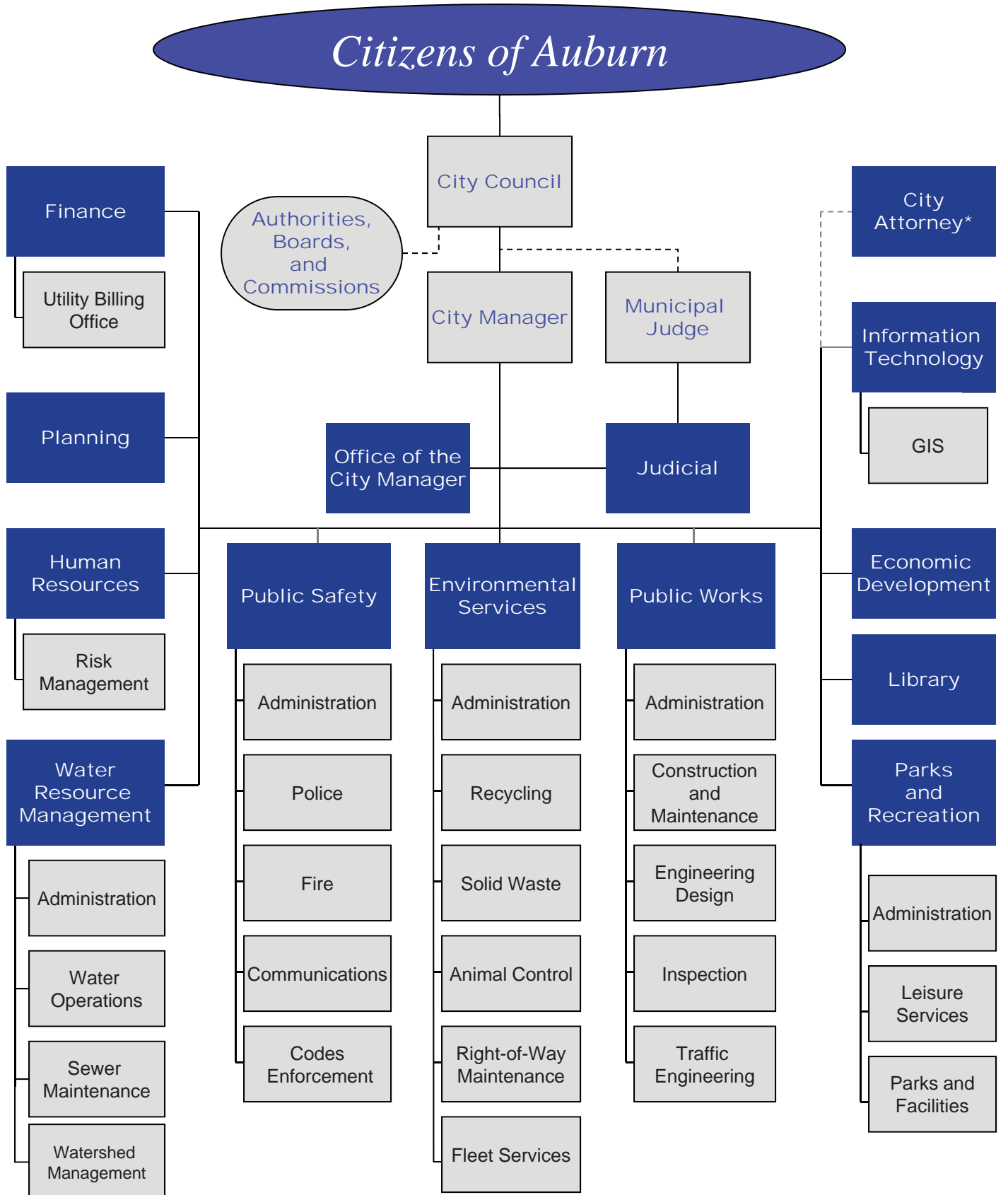
City of Auburn, Alabama does not guarantee or warrant the accuracy of this map or any information contained herein. Information may contain errors and should be verified by an appropriately qualified, licensed and independent professional. 13



Produced by COA
Planning Department
3/7/2018



Organization Chart



* City Attorney services are contracted outside the organization

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Auburn, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special School Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 18 through 46), budgetary comparison information (page 138), and pension information (pages 139 through 140) 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 19, 2018, on our consideration of the City of Auburn, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Alabama's internal control over financial reporting and compliance.

Machen McChesney, LLP

Auburn, Alabama
March 19, 2018



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, 2017. 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 \$111.1 million (net position). Of this amount, the City had a deficit unrestricted net position of \$153.2 million offset by \$49.8 million in restricted net position and \$214.5 million in net investment in capital assets.
- The primary government experienced a 6.1% increase in net position from \$104.7 million at September 30, 2016 to \$111.1 million at September 30, 2017.
- At the close of fiscal 2017, the City's governmental funds reported a *combined* fund balance of \$89.9 million. This was a decrease of \$8.7 million (8.8%) from the prior year.
- At the end of fiscal 2017, total fund balance for the General Fund was \$47.7 million or 53.5% of total General Fund expenditures and other financing uses; total fund balance decreased by \$1.7 million (3.5%) from fiscal year 2016. Total ending fund balance in the General Fund comprised 54.9% of total revenues in 2017 and 59.2% in 2016.
- The unassigned fund balance for the General Fund was \$31.9 million, or 35.8% of total General Fund expenditures and other financing uses; this was an increase of \$7.4 million (30.2%) from fiscal 2016.
- Sales and use tax, the City's single largest revenue source, decreased by \$24,903 (0.1%) during the 2017 fiscal year.
- Other significant changes in revenue in the City's General Fund during 2017 include the following: licenses and permits increased by \$1.0 million (8.7%); charges for services increased by \$814,832 (11.5%); contributions from the public increased by \$680,033 (44.4%); occupation license fees increased by \$507,019 (4.4%); and general property tax increased by \$310,094 (6.2%).

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.

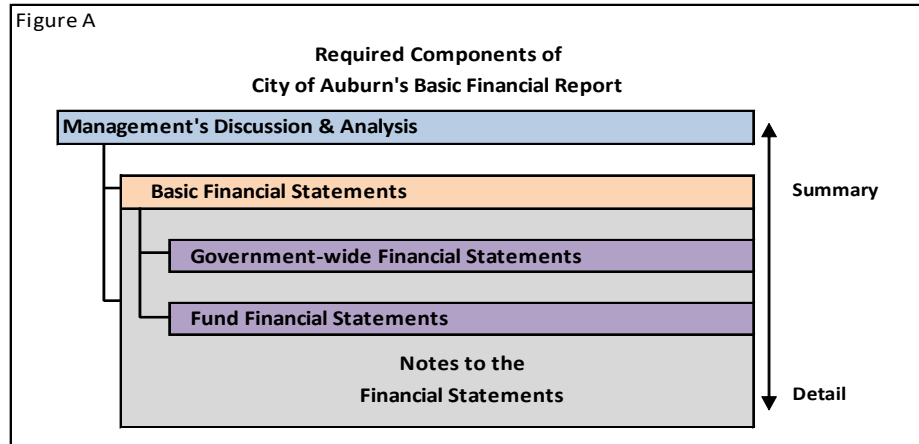


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

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 seven other entities in this report. These entities include the City of Auburn Board of Education, Water Works Board of the City of Auburn, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, the Commercial Development Authority of the City of Auburn, the Housing Authority of the City of Auburn, and the Auburn Downtown Redevelopment Authority. 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, 2017 totaled \$111.1 million (see Table 1). Governmental Activities' net position increased by \$2.0 million (3.5%), while Business-type Activities' net position increased \$4.5 million (9.3%) during the year.

The primary government's total net position increase of \$6.4 million (6.1%) in fiscal 2017 includes the following major changes: 1) an increase in the deficit in unrestricted net position of \$441,547, 2) a decrease in restricted net position of \$17.8 million, and 3) an increase in net investment in capital assets of \$24.7 million.

Table 1

City of Auburn's Net Position
September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 103,993,901	\$ 117,533,312	\$ 14,504,760	\$ 11,729,861	\$ 118,498,661	\$ 129,263,173
Capital assets	188,660,233	168,743,639	80,376,319	81,209,177	269,036,552	249,952,816
Total assets	292,654,134	286,276,951	94,881,079	92,939,038	387,535,213	379,215,989
Deferred outflows of resources	10,038,398	7,904,265	3,572,060	3,596,040	13,610,458	11,500,305
Current liabilities	21,952,219	25,714,554	4,426,643	4,352,357	26,378,862	30,066,911
Long-Term debt and other liabilities	222,140,560	211,795,487	41,373,659	43,997,679	263,514,219	255,793,166
Total liabilities	244,092,779	237,510,041	45,800,302	48,350,036	289,893,081	285,860,077
Deferred inflows of resources	70,588	95,760	73,409	75,364	143,997	171,124
Net position:						
Net investment in capital assets	172,516,412	149,544,640	41,989,278	40,247,221	214,505,690	189,791,861
Restricted	47,557,073	67,163,363	2,266,933	509,425	49,824,006	67,672,788
Unrestricted	(161,544,320)	(160,132,588)	8,323,217	7,353,032	(153,221,103)	(152,779,556)
Total net position	\$ 58,529,165	\$ 56,575,415	\$ 52,579,428	\$ 48,109,678	\$ 111,108,593	\$ 104,685,093

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, 2017 was \$172.5 million. Debt outstanding related to the capital assets was \$16.1 million. The large negative unrestricted net position in FY 2016 (\$160.1 million) and FY 2017 (\$161.5 million) is primarily the result of a common financing circumstance in Alabama. The City of Auburn issues debt (repaid with legally dedicated ad valorem taxes) in the City's name for the benefit of the Board of Education, a 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 the School Board); hence, the large negative unrestricted net position balances. Total debt outstanding for school issues was \$160.3 million as of September 30, 2017. Most recently, the City issued \$18.0 million in General Obligation Warrants, 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, thus further increasing the deficit in unrestricted net position. Also contributing to the large unrestricted net position balance is the liability related to pensions. The City implemented GASB Statement 68 – *Accounting and Financial Reporting for Pensions* in fiscal 2015. The City and its employees contribute to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participants. The net pension liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position as of September 30, 2017 was \$33.8 million.

Similar to the school funding situation, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex. The City leases a portion of the complex to Auburn University. These lease payments fund principal and interest on the City's debt. The City's Public Park and Recreation Board, a component unit of the City, owns and operates the joint tennis facility. With respect to the Tennis Center, the debt principal of \$2.0 million outstanding is included in the City's liabilities and the offsetting capital asset is included on the balance sheet of the Public Park and Recreation Board, increasing the deficit in the City's unrestricted net position.

Table 2 displays detail of debt issued by the City to acquire or construct capital assets owned by other entities, affecting the City's unrestricted net position. Total City debt for the benefit of Auburn City Schools and outstanding at September 30, 2017, was \$160.3 million, an increase of \$14.3 million (9.8%) from the prior year. This net increase results from a new debt issuance of \$18.0 million to fund

construction of a new elementary school offset by principal repayments on existing debt during the year. Debt outstanding in respect to agreements made with Auburn University was \$2.0 million, a decrease from the prior year of \$183,264 (8.2%). This decrease is attributable to the City's principal repayments.

Governmental Activities' unrestricted net position increased to an \$841,496 surplus from a deficit of \$11.9 million (eliminating the effect of other entities' debt) at the end of fiscal 2017. This increase is attributable to the reclassification of investments in the form of U.S. Treasury notes from restricted to unrestricted net position.

The City's governmental activities' had an overall positive net position of \$58.5 million at the end of the 2017 fiscal year, an increase of \$2.0 million (3.5%).

Table 2

Governmental Activities

Net Position	2017	2016
	\$	\$
Net investment in capital assets	172,516,412	149,544,640
Restricted		
Capital Projects	1,127,908	1,448,357
Debt Service	4,717,407	3,776,254
Federal and State Grants	4,467,881	4,711,224
Other projects	2,438,562	13,166,372
Special Revenue, non-grant	34,805,315	44,061,156
Unrestricted (deficit)		
Governmental Activities	841,496	(11,876,360)
<i>City School Debt</i>	<i>(160,340,553)</i>	<i>(146,027,701)</i>
<i>AU Debt</i>	<i>(2,045,263)</i>	<i>(2,228,527)</i>
Total Net Position-Governmental	<u>58,529,165</u>	<u>56,575,415</u>

Net position of the City's business-type activities increased by \$4.5 million to \$52.6 million in fiscal year 2017, from \$48.1 million in fiscal year 2016. This increase is primarily due to a positive change in net position from combined business-type operations revenues over expenses of \$5.3 million. Activity related to capital assets also contributed to the net increase. Capital assets decreased by \$832,858; this consisted of an increase in asset acquisitions totaling \$1.9 million offset by an increase in accumulated depreciation (a contra asset) of \$2.7 million.

The primary government's net position increased by \$6.4 million (6.1%) in fiscal year 2017. Total assets increased by \$8.3 million (2.2%), while total liabilities increased by \$4.0 million (1.4%). The net increase in assets is attributable to several factors:

- Cash and cash equivalents (including restricted cash) increased by \$19.4 million (33.5%) primarily as a result of borrowing proceeds of \$18.0 million received for construction of a new elementary school. These proceeds are being held by the City in a demand deposit money market account. As expenditures are incurred for construction, the proceeds are transferred to Auburn City Schools.
- Investments decreased by \$27.5 million (58.8%). This change can also be attributed to expenditures related to construction of a school facility. During fiscal 2015, the City issued \$78.1 million in general obligation bonds on behalf of Auburn City Schools for construction of a new high school. The City is holding and investing these funds, and as construction progresses, funds are transferred to the school board to pay contractors. The majority of these funds were transferred to the school board prior to September 30, 2017 causing investments to decrease.
- Capital assets, both depreciated and not being depreciated, increased by \$19.1 million (7.6%) in fiscal year 2017. The largest component of this change is an increase of \$10.2 million in

infrastructure projects completed and capitalized during the year. Also, land purchases increased capital assets by \$5.5 million. The City purchased land on Richland Road for future parks and recreation fields and facilities. The City also purchased land on E. Glenn Avenue for use as a parking lot. More information on the change in capital assets is included in the *Capital Assets* section.

The increase in liabilities of \$4.0 million (1.4%) is a result of three major changes. As mentioned above, the City issued \$78.1 million in General Obligation Bonds on behalf of Auburn City Schools for construction of a new high school. As proceeds are spent on construction, the City transfers the funds to Auburn City Schools. At the end of fiscal 2016, the City recorded a payable to the Schools for construction activities that happened in September, creating a \$5.5 million liability in due to component units. The amount due to the school board at the end of fiscal 2017 was \$1.9 million, a decrease of \$3.6 million (65.0%). Offsetting this decrease are two significant increases related to pensions and long-term debt. The City's net pension liability increased by \$3.5 million (10.7%), based on actuary plan information provided by the Retirement Systems of Alabama. Long-term debt increased by \$4.3 million (1.9%), which is primarily the result of an \$18.0 million issuance for construction of a new elementary school offset by principal payments on other debt made during the year.

Governmental Activities

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

Table 3

Excerpt of Governmental Activities
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2017 and 2016

Governmental Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2017	2016	2017	2016	2017	2016
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
General government	9,943,090	9,009,933	16,548,917	15,133,200	6,605,827	6,123,267
Public works	9,360,886	8,743,085	10,000,553	3,714,891	639,667	(5,028,194)
Environmental services	2,392,134	2,272,010	4,913	-	(2,387,221)	(2,272,010)
Public safety	21,414,563	20,189,149	5,645,224	4,879,352	(15,769,339)	(15,309,797)
Library	1,954,493	1,845,480	86,279	34,982	(1,868,214)	(1,810,498)
Parks and recreation	6,826,158	6,389,142	1,009,162	1,902,147	(5,816,996)	(4,486,995)
Social and economic development	4,766,718	5,370,638	1,081,834	305,207	(3,684,884)	(5,065,431)
Other functions	3,492,147	3,173,129	1,013,618	831,445	(2,478,529)	(2,341,684)
Education (payments to Board of Ed)	47,502,333	60,918,952	-	-	(47,502,333)	(60,918,952)
Interest on long-term debt	7,041,045	7,253,215	-	-	(7,041,045)	(7,253,215)
Total governmental activities	114,693,567	125,164,733	35,390,500	26,801,224	(79,303,067)	(98,363,509)

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

The cost of governmental activities this year was \$114.7 million. Program revenues provided \$35.4 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 \$79.3 million. This net expense is a \$19.1 million (19.4%) decrease from fiscal 2016.

There are three items of note in the change in net expense of governmental activities. Payments for education decreased by \$13.4 million (22.0%) over fiscal 2016. 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 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 for construction payments. The

total amount transferred for these projects in fiscal 2017 was \$29.5 million, a decrease of \$14.8 million (33.4%) over fiscal 2016. The new high school was substantially complete during fiscal 2017 and classes began in the school in August.

Another significant change in net expense occurred in the public works function. In fiscal 2016, the public works function ended the year with a net expense of \$5.0 million. 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. In addition, the City received \$5.0 million in streets and bridges constructed and donated by developers. These capital grants and donations contributed to an increase in program revenue of \$6.3 million (169.2%) that resulted in a net revenue of \$639,667 for the public works function. This net revenue is a \$5.7 million (112.72%) increase over the net expense in 2016.

In addition to these two changes, net expense for the City's social and economic development function decreased by \$1.4 million (27.3%). Expenses of this function decreased by \$603,920 (11.2%), while program revenue increased by \$776,627 (254.5%). One component of expenses for this function includes bond proceeds and general fund appropriations to the Industrial Development Board for construction of Phase II of the Auburn Technology Park West. These transfers totaled \$1.2 million in fiscal 2017, which is a decrease of \$978,923 (45.9%) from 2016. Other factors contributing to the change in expenses includes an increase in expenses of \$183,333 for special activities related to a professional golf tournament in the area and an increase in transfers to the Industrial Development Board of \$100,000 for workforce development initiatives. The increase in program revenue of \$776,627 is primarily attributable to grant revenue received from the Department of Housing and Urban Development's Community Development Block Grant (CDBG). A portion of CDBG funds were used for construction and improvements to the Boykin Community Center, which increased capital grants and contributions for this function.

Total City program income exceeded expenses for two functions; general government produced an excess of \$6.6 million and public works produced an excess of \$639,667. General government program revenue includes business licenses fees, construction permits and court fines, among other charges for services rendered administratively by the City of Auburn. In past years, the general government function has typically produced net revenue. As mentioned above, an increase in grant revenue for a major bridge project over I-85 resulted in an increase in program revenues for the public works function.

Table 4

Excerpt of Governmental Activities
from the
Statement of Activities

Governmental Activities	Net (Expense) Revenue	
	2017	2016
	\$	\$
Net expense of the total governmental activities	<u>(79,303,067)</u>	<u>(98,363,509)</u>
General revenues:		
Sales taxes	39,648,005	39,672,910
Property taxes	25,187,386	23,782,006
Occupational license fees	12,068,066	11,561,046
Rental and leasing taxes	890,599	799,550
Lodging taxes	2,355,985	2,247,771
Motor fuel taxes	386,296	383,488
Other taxes	281,809	271,462
Interest and investment earnings	505,746	729,863
Loss on disposal of assets	(221,202)	-
Miscellaneous	43,522	81,981
<i>Total general revenues</i>	<u>81,146,212</u>	<u>79,530,077</u>
Transfers	<u>110,605</u>	<u>118,755</u>
<i>Change in net position</i>		
General revenues and transfers less net expenses	1,953,750	(18,714,677)
Beginning net position	56,575,415	54,486,681
Prior period adjustment	-	20,803,411
Ending net position	<u>58,529,165</u>	<u>56,575,415</u>

Table 5 divides total governmental program revenue by source for 2017 and 2016 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.

Program revenue by source:	Governmental Activities	
	2017	2016
	\$	\$
Charges for services	22,016,430	20,235,376
Operating grants and contributions	2,307,693	2,342,212
Capital grants and contributions	<u>11,066,377</u>	<u>4,223,636</u>
<i>Total Program Rev - Governmental Activities</i>	<u>35,390,500</u>	<u>26,801,224</u>

Some of the program costs of governmental activities in 2017 were paid by revenues collected from those who directly benefit from the programs (\$22.0 million). These revenue sources include the following:

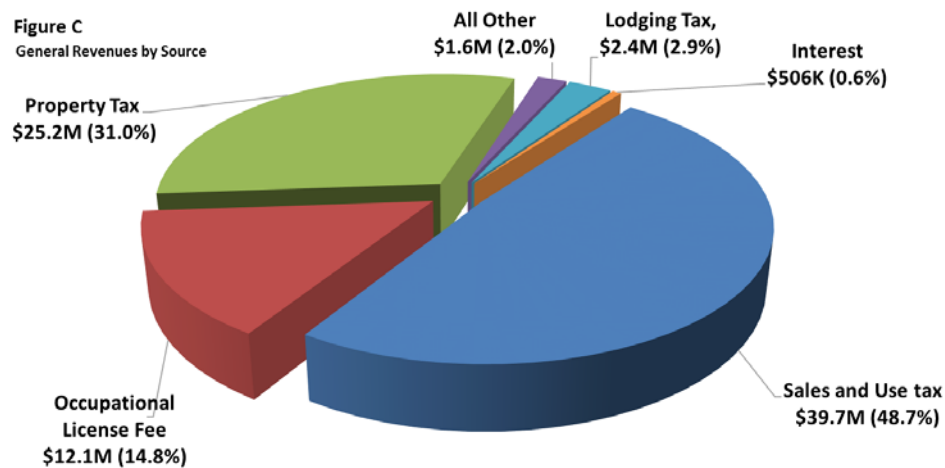
- General business license fees of \$7.0 million that support general government services.
- Residential rental license fees of \$1.8 million that fund a portion of general government services. The City charges this fee to owners of residential property used primarily for rental purposes.
- Court fines and tickets for \$761,515 that support essential public safety and judicial services within the City.

- Construction permit fees of \$1.5 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 \$3.2 million paid by Auburn University fund fire and police services on campus.

Operating and capital grants and contributions of \$13.4 million also supported program costs during fiscal 2017. These revenues were up by \$6.8 million (103.7%) from fiscal year 2016. Major components of this large change include the following:

- 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. During fiscal 2017, the City recognized \$2.2 million in grant funding for infrastructure improvements, including \$2.0 million for construction of a new bridge on Moore’s Mill Road that crosses I-85.
- Private funds for projects is also included in program revenue. A large student housing development is being built in downtown Auburn. Pursuant to a development agreement between the developer and the City, the developer provided funds of \$1.0 million 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.
- Gifts and donations, including donations of assets, are included in operating and capital grants and contributions, as well. Public works donations increased by \$2.9 million, primarily the result of streets contributed by developers as part of subdivision development. Streets contributed by developers during fiscal 2017 totaled \$5.0 million, which is an increase of \$3.2 million (175.6%) over similar donations in fiscal 2016.

The City financed net expenses of \$79.3 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 2017:



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 48.7% 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 (31.0%). 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.

The City of Auburn made payments of \$49.7 million to component units of the primary government during fiscal 2017. Of this amount, \$47.5 million (95.6%) was paid to the Board of Education, including \$4.8 million paid from education property taxes. An additional \$29.5 million paid to the Board in fiscal 2017 represented the use of borrowing proceeds used to pay for construction of a new high school and a new elementary school. The \$13.2 million appropriated to Schools from the City's General Fund represents the continued commitment by the City of Auburn in response to the Citizen Survey results, which show that educational funding is the citizens' highest priority, consistently year after year.

Business-type Activities

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

The City constantly monitors the need for sewer rate changes by studying and evaluating whether existing rates will meet the projected operating and capital needs of the sewer system in the future. The last 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, 2017 and 2016

Business-Type Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2017	2016	2017	2016	2017	2016
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
Sewer Fund	8,705,876	8,387,444	12,894,805	11,987,468	4,188,929	3,600,024
Solid Waste Management Fund	4,576,422	4,380,090	4,873,931	4,562,372	297,509	182,282
Total business-type activities	13,282,298	12,767,534	17,768,736	16,549,840	4,486,438	3,782,306

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

Table 6 shows that program revenue of the Sewer Revenue Fund business-type activity, including charges for services (sewer treatment and disposal), operating grants and contributions, and capital grants and contributions increased from the prior year by \$907,337 (7.6%). The most notable component of this

change is a \$705,600 (64.3%) increase in sewer access fee revenue. Sewer access fees are fees charged to customers for new access to the sewer system. In fiscal 2017, two large student housing developments contributed \$623,700 in access fees. Also contributing to the change in sewer program revenue is an increase of \$385,065 (86.5%) in sewer lines contributed by developers. Lines contributed during fiscal 2017 totaled \$830,115, as compared to \$445,050 in fiscal 2016. This type of contribution, driven by development, can vary greatly from year to year.

Sewer Fund expenses (operating plus interest expense) increased by \$318,432 (3.8%) to \$8.7 million. The major components of this change include the following:

- Depreciation expense increased by \$151,308 (6.2%) as a result of various asset acquisitions, including two vehicles, a backhoe loader, and sewer lines contributed by developers.
- Professional services expenses increased by \$65,558 (76.7%). 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.
- Management services increased by \$52,620 (3.3%). As mentioned on the previous page, the City's wastewater treatment plants are managed by Veolia Water North America Operating Services, LLC. Payments made to Veolia increased to cover repairs at the H.C. Morgan Water Pollution Control Facility as well as increases in sludge hauling expenses.
- 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 \$297,509 in fiscal 2017. 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. As of the date of this report, the City is nearing completion of another formal rate study to evaluate the adequacy of existing rates in funding future needs of the solid waste management system. Future needs of this activity include all costs related to implementation of single-stream recycling, as well as capital needs related to garbage collection.

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 \$311,559 (6.8%). This increase in program revenue primarily reflects an increase in solid waste collection revenue of \$215,108 (4.9%), attributed to normal growth in the number of customers as well as changes in recycling revenue. The number of residential customers increased by 574 (3.8%) over 2016. Recycling revenue increased by \$39,953 (75.4%). The price received per ton for recycled cardboard increased by \$61.00 (79.0%). In addition to these two changes in charges for services, capital grants and contributions increased by \$30,651. The solid waste management function received grant funds from the Alabama Department of Environmental Management used to purchase a truck and two utility trailers for recycling activities.

Expenses of the SWMF increased by \$196,332 (4.5%). There are several components contributing to this increase. Salaries for regular, full-time employees (including overtime) increased by \$118,772 (6.9%). This

change is the result of scheduled merit and cost of living increases and vacant positions being filled. Pension expense increased by \$31,555 (2,881.7%). This increase is a result of increased service costs for the pension plan, interest on the pension liability, and changes in actuarial assumptions. Also worth noting are increases in tipping fees and professional services. Tipping fees increased by \$51,979 (8.5%). Tipping fees are adjusted to CPI annually, which resulted in the per ton rate going from \$25.59 to \$26.05. In addition, tonnage increased by 508 tons in fiscal 2017 over 2016. Professional services increased by \$28,001 (100.0%) as a result of contracting with a consultant to perform the solid waste and recycling rate study mentioned above. 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 activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2017 fiscal year, its governmental funds reported a *combined* fund balance of \$89.9 million, an \$8.7 million (8.8%) decrease from the prior year. The total decrease in fund balance is comprised of a \$1.7 million (3.5%) decrease in the General Fund's fund balance; a \$7.6 million (17.3%) decrease in special revenue funds' fund balances; the debt service fund's fund balance increased by \$941,153 (24.9%) and capital projects funds' fund balances decreased by \$320,449 (22.1%). 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 \$7.1 million (6.8%) over the prior year. Major components of this change are described below, in statement presentation order.

- Occupation license fees increased by \$507,020 (4.4%) in fiscal 2017 as compared to 2016. This fee is levied at 1% of gross wages earned within the City limits. Several of the City's largest employers either increased salaries during the past year or paid bonuses to their employees. The City sees growth in occupation license fees as a result of the increase in salaries.
- Licenses and permits revenue increased by \$1.0 million (8.7%). This increase is primarily the result of an increase of \$858,694 (45.6%) in construction permits and fees. The number of building permits for single-family residential increased by 142 while the valuation increased by \$37,440,846. In addition, the number of building permits issued for multi-family residential increased by 26 while the valuation increased by \$54,786,527.
- General property tax revenues increased by \$1.4 million (5.9%). 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. This growth is also due to Auburn's ability to remain an attractive City and the overall health of the realty market in the Auburn area (low foreclosure rate and low turnover).
- Contributions from the public increased by \$629,540 (39.1%). This increase is the result of two large changes related to gifts and donations in the parks and recreation function and private funds for projects. During fiscal 2016, the City received property bequeathed in the will of a citizen. This donation resulted in \$720,000 in donation revenue in fiscal 2016. Also in fiscal 2016, the City received funding of \$138,250 from the Auburn Soccer Association for lighting at the Wire Road soccer complex. Gifts and donations for parks and recreation totaled only \$15,017 in fiscal 2017, resulting in a decrease in gifts and donations of \$843,233 (98.3%) from the prior year. Private funds for projects increased by \$1.1 million (6,096.2%). As discussed in the *Governmental Activities* section, the developer of a large student housing development in downtown Auburn

provided funds of \$1.0 million 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.

- Grant revenue increased by \$2.7 million (331.3%). This increase 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 increased by \$1.8 million (419.6%) and included a large grant for construction of a new bridge on Moore's Mill Road that crosses I-85. 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 increased by \$777,161 (256.2%) over the prior year. A portion of CDBG funds was used for construction and improvements to the Boykin Community Center.
- Although sales and use tax did not change much from 2016, it is important to mention as it is the City's largest revenue source. Sales and use tax, decreased slightly by \$24,903 (0.1%). At the end of each year, sales and use tax receivable is adjusted in accordance with GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Auburn's sales tax collection in the first few months of each fiscal year is greatly impacted by Auburn University's home football schedule. In the fall of 2016, there were five consecutive home games, which greatly increased the accrual made in fiscal 2016. There were fewer home games at the beginning of the 2017 football season, which decreased the receivable. If the accruals for both fiscal 2016 and 2017 are excluded, sales tax and use tax for fiscal 2017 increased by \$1.3 million (3.3%).

Other financing sources, excluding transfers between governmental funds, increased by \$18.1 million (27,955.4%) in fiscal 2017 as compared to fiscal 2016. The major component of this large increase is related to a debt issuance 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 \$2.3 million (1.6%) in fiscal 2017 from fiscal 2016. 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 \$2.3 million (5.3%). The most significant changes were seen in general government (increase of \$334,383 or 5.5%), public works (increase of \$313,353 or 7.6%), public safety (increase of \$1.1 million or 5.7%), and planning (increase of \$173,108 (29.2%). Details of these changes are listed below.
 - The general government function increase of \$334,383 (5.5%) is partly the result of an increase in health insurance expenditures of \$140,745 (91.2%). The City is self-insured and tracks insurance premiums and claims in a sub-fund of the General Fund, the Employee Benefit Self-Insurance Fund. At the end of each fiscal year, claims are distributed from a consolidated claims account in this fund to each employee's department in the General Fund. Health insurance claims can fluctuate significantly from year to year depending on employee needs. Also affecting the general government function is an increase in rebates related to the City's Commercial Development Incentive Program (CDIP) of \$140,084 (21.2%). In 2011, the City implemented this program 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. The increase in fiscal 2017 can be attributed to rebates for four new agreements that became effective in late fiscal 2016 and two agreements that became effective in fiscal 2017.

- The public works function increase of \$313,353 (7.6%) is primarily attributable to a payment of \$250,000 made to the developer of a hotel in downtown Auburn. The purpose of this loan was to offset costs incurred by the owner for the redevelopment and renovation of a historic dormitory into a 41-room boutique hotel. Also contributing to this change in the public works function are normal increases in personnel costs, infrastructure materials, and traffic signal and sign materials.
- Public safety activities experienced an increase of \$1.1 million (5.7%). This change is primarily attributable to an increase in regular full-time salaries of \$598,856 (10.1%) as well as an increase in overtime expenditures of \$235,133 (15.0%). 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 officers per beat (territories being patrolled). The police division also 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.
- Planning function expenditures increased by \$173,108 (29.2%) in fiscal 2017 as compared to 2016. This change is attributable to an increase in health insurance of \$163,176 (4,367.8%). As mentioned in the general government function paragraph, at the end of each fiscal year, health insurance claims are distributed from a consolidated claims account in the City's self-insurance fund to each employee's department in the General Fund. Health insurance claims can fluctuate significantly from year to year depending on employee needs.
- Capital outlay expenditures of the governmental funds increased by \$10.4 million (96.0%) in fiscal 2017 over 2016. Capital outlay can vary greatly from year to year based on the timing of capital projects and the necessity of replacing vehicles and equipment. There were several significant capital expenditures in fiscal 2017 that contributed to this increase. Infrastructure projects such as street construction and resurfacing, drainage improvements, sidewalk construction, and bridge construction contributed to over \$5.5 million of the increase. In addition, land purchases increased capital expenditures by \$5.0 million. The City purchased land on Richland Road for future parks and recreation fields and facilities. The City also purchased land on E. Glenn Avenue for use as a parking lot. Other components of this change were \$1.7 million in expenditures related to facility construction preparation for the new Public Safety Complex and improvements at the Boykin Community Center.
- The City's payments to its component units decreased by \$14.4 million (22.4%) in fiscal 2017 as compared to 2016. 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. These transfers of debt proceeds totaled \$29.5 million in fiscal 2017, a decrease of \$14.8 million (33.4%) from transfers in 2016.

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>FY17</u>	<u>FY16</u>	<u>FY 17 > FY 16</u>
Auburn City Schools	\$	\$	\$
General revenues	13,174,623	11,500,000	1,674,623
Education property taxes	4,832,707	5,153,114	(320,407)
Debt issuance - Schools	29,489,709	44,265,838	(14,776,129)
Subtotal to Schools	47,497,039	60,918,952	(13,421,913)
Industrial Development Board			
Operating Costs	845,000	881,500	(36,500)
West Tech Park Improvements	1,155,035	2,133,958	(978,923)
Subtotal to IDB	2,000,035	3,015,458	(1,015,423)
Public Park & Rec Board	201,675	131,132	70,543
Total - Component Units	49,698,749	64,065,542	(14,366,793)

- Payments to Auburn City Schools decreased by \$13.4 million (22.0%) in fiscal 2017 as compared to 2016. Details of this change are included below.
 - The City appropriated \$13.2 million (an increase of \$1.7 million or 14.6%) out of its general revenue to the Auburn City Schools in fiscal year 2017. 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. As sales tax collections increase, as they did in 2017, the amount appropriated to the Schools will also increase.
 - In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for principal and interest on school debt issued by the City of Auburn on behalf of the Auburn Board of Education and provides additional funds for operating expenses of the school system. This payment of additional operating funds of \$4.8 million in fiscal 2017 is a \$320,407 (6.2%) decrease from 2016.
 - As described on the previous page, the City transferred debt proceeds to the schools during 2017 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 2017 was \$29.5 million, a decrease of \$14.8 million (33.4%) from fiscal 2016.
- The City appropriates funds to the Industrial Development Board (IDB) for economic development initiatives. This funding decreased by \$1.0 million (33.7%) in fiscal 2017 as compared to 2016. Details of this change are included below.
 - Payments for the operating costs of the IDB decreased by \$36,500 (4.1%) during fiscal 2017. 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, increased by \$69,000 (13.5%) over 2016. In addition, the City and the IDB partner with the local tourism bureau to bring special events to the area.

In July 2016, the Professional Golfers' Association held the Barbasol Championship in a neighboring city. Because the City's economy benefits tremendously from such events, the City provided funding (transferred to the IDB) to help offset expenditures related to administering the event. This event was also held in July 2017, but the City's funding was paid directly to the Auburn-Opelika Convention and Visitor's Bureau as opposed to transferring the funds to the IDB. This change in method of payment caused a decrease in transfers to the IDB of \$105,500 (100%).

- In addition to operating transfers to the IDB, the City of Auburn transferred \$1.2 million in fiscal 2017 for construction of infrastructure in the Auburn Technology Park West, which is a \$978,923 (45.9%) decrease. This combined with the \$69,000 increase in transfers for operations and the \$105,500 decrease for special events mentioned above resulted in the net decrease of \$1.0 million in payments to the IDB.
- 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 2017, the transfer increased by \$70,543 (53.8%) to \$201,675. 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 \$4.5 million (9.3%) from fiscal 2016 to fiscal 2017.

Proprietary funds' revenues, other resources

Sewer Revenue Fund operating revenues increased by \$533,452 (4.6%) in 2017 as compared to 2016. This change in operating revenue is composed primarily of an increase in sewer access fees offset by a small decrease in sewer service fees. Sewer access fees increased by \$705,600 (64.3%), which is attributable to two large student housing developments that contributed \$623,700 in fiscal 2017. Sewer access fees are fees charged to customers for new access to the sewer system. Sewer service fees decreased by \$188,356 (1.8%), which is attributable to wet weather conditions during the year as compared to drier conditions in 2016. Sewer service fees are user fees charged to customers based on their water usage. Water usage in fiscal 2017 was lower because the City experienced wetter than average conditions for most of the year. In contrast, weather conditions in fiscal 2016 were much drier. In September 2016, Auburn was officially experiencing drought conditions. As typical during dry weather patterns, customers use more water, thus increasing sewer service fees for fiscal 2016. As of the end of September 2017, the City experienced gains in measured rainfall of approximately 13 inches (average based on two gauge collections points), thus decreasing customers' water usage. In addition to changes in operating revenue, the Sewer Fund's net position increased by \$830,112 from developers' contributions of sewer lines in fiscal 2017, which is a \$385,062 (86.5%) increase from contributions in 2016. Sewer line contributions are

contingent upon completion of commercial and residential developments in the City and can vary greatly from year to year.

Operating revenues in the Solid Waste Management Fund increased by \$276,112 (6.0%) in 2017. This increase is primarily attributable to an increase in solid waste collection fees of \$215,108 (4.6%) which reflects normal growth in the number of customers. The number of residential customers increased by 574 (3.8%) over 2016. An increase in recycling revenue of \$39,953 (43.0%) also contributed to the change in operating revenues. The price received per ton for recycled cardboard increased by \$61.00 (79.0%). As mentioned in the *Business-type Activities* section above, the City reviews and analyzes collection 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. As of the date of this report, the City is nearing completion of another formal rate study to evaluate the adequacy of existing rates in funding future needs of the solid waste management system. Future needs of this activity include all costs related to implementation of single-stream recycling, as well as capital needs related to garbage collection of both residential and commercial customers.

Proprietary funds' expenses

In the Sewer Revenue Fund, operating expenses for fiscal 2017 increased by \$411,926 (6.2%). Components of this increase include the following:

- Depreciation increased by \$151,308 (6.2%). There was a significant project to replace the blowers at the H.C. Morgan Water Pollution Control Facility in September 2016 that began being depreciated in October 2016.
- Salaries and benefits increased by \$123,325 (11.0%). Regular full-time salaries increased \$74,059 (9.1%) due to normal adjustments from the City's merit pay plan as well as a cost of living adjustment effective October 1. Health insurance benefits also increased by \$26,325 (40.4%) from an increase in health claims incurred by employees of the sewer function.
- Professional services increased by \$65,558 (76.7%). 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.
- Management fees increased by \$52,620 (3.3%). The City contracts with Veolia Water North America Operating Services, LLC for operation of the wastewater plants and lift stations. Repairs at the plant and sludge hauling both increased which is typical for this function.

In the Solid Waste Management Fund, operating expenses increased by \$196,332 (4.5%) in fiscal 2017 over 2016. There are three main components of this net increase:

- Salaries and benefits increased by \$180,285 (8.2%). Regular full-time salaries, including overtime, increased by \$118,772 (6.9%) due to normal increases based on the employee merit pay plan and a cost of living adjustment effective October 1, and pension expense increased \$31,555 (2,881.7%) based on actuarial changes for the plan.
- Professional services increased by \$100,969 (14.7%) in 2017 as compared to 2016. Components of this increase include a \$28,001 (100.0%) increase in unclassified professional services for consulting expenses related to a solid waste and recycling rate study, a \$51,979 (8.5%) increase in tipping fees for CPI adjustments, and a \$23,247 (103.3%) increase in recycling expenses. As the City increases recycling initiatives and fully implements single-stream recycling, expenses for this function are expected to rise over the next few years.

- Repairs, maintenance, and parts expenses decreased by \$90,935 (26.3%) in 2017. There were several large vehicle and equipment repairs in fiscal 2016. Vehicle and equipment repairs can fluctuate from year to year based on the age of assets and replacement schedules.

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

Analysis of Changes in Major Funds

Major funds are funds whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The General Fund is a major fund every year. In addition to the General Fund, the Special School Tax Fund and the Federal Grant Loan Repayment Fund were determined by testing to be the only other major governmental funds in 2017. These major fund classifications are the same as the classifications in fiscal 2016.

The General Fund (Governmental)

At the end of fiscal 2017, total fund balance of the City's General Fund decreased by \$1.7 (3.5%) from the prior year ending balance. Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2017 total ending fund balance was \$47.7 million, compared to \$49.4 million at the end of 2016.

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 decreased by \$12.8 million (64.8%) from 2016. These balances represent investments, inventories, prepaid items, advances, and land held for resale. The City reclassified certain investments from this category, as these funds are spendable. This reclassification decreased nonspendable by \$10.7 million (81.5%). In addition, prepaid items decreased by \$1.4 million (96.2%) from 2016. Prepaid expenditures in fiscal 2016 included prepayment of \$440,839 for the purchase of a fire truck and a prepaid balance of \$865,414 paid to the Alabama Department of Transportation (ALDOT) for construction of a new bridge that crosses Interstate 85 on Moore's Mill Road. The City provided matching funds of \$3.0 million in an "up-front" payment to ALDOT. These funds were prepaid until ALDOT performed work exceeding the City's match amount. As of September 30, 2017, ALDOT had performed work in excess of \$3 million, thus resulting in no prepaid recognition for fiscal 2017. The restricted and assigned categories increased by \$3.7 million (72.7%), primarily the result of a higher encumbrance balance for fiscal 2017 (\$8.2 million) as compared to the balance at the end of fiscal 2016 (\$3.4 million). Unassigned fund balance increased by \$7.4 million (30.2%).

The General Fund's total assets decreased by \$2.0 million (3.4%) during 2017. The major components of this change are listed below, in statement presentation order.

- Prepaid items decreased by \$1.4 million (96.2%). As mentioned in the paragraph above, two large prepaid items in fiscal 2016 for a fire truck (\$440,839) and construction of the Moore's Mill Bridge (\$865,414) were reclassified from the prepaid asset account to the appropriate expenditure accounts in fiscal 2017.
- Land held for resale decreased by \$720,000 (14.8%) from 2016. The City received property donations through the last will and testament of a citizen in fiscal 2016. According to GASB Statement 11, *Measurement Focus and Basis of Accounting – Governmental Fund Operating Statements*, if the property is under contract to be sold before issuance of the annual financial statements, the property should be classified as land held for resale as opposed to capital assets. The properties were under contract in February and March 2017, thus creating the need to classify

this property as land held for resale in fiscal 2016. The property was sold in fiscal 2017, resulting in this decrease.

Total liabilities of the General Fund decreased by \$272,815 (3.1%) in 2017. This is a result of typical fluctuations in accounts payable and other accrued liabilities, as well as decreases to unearned revenue from assessments and developer performance bonds reclassified to revenue during the year. There are three main components of this decrease. Vendor accounts payable increased by \$999,748 (47.7%). This is a typical fluctuation in amounts due to vendors at the end of a fiscal year. Offsetting this large increase were two notable decreases. First, payables to other governments decreased by \$753,936 (44.8%). 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. The City received an invoice for \$753,936 for a portion of the payable amount in fiscal 2017, reducing payables to other governments. The remaining payable will be settled in fiscal 2018. Second, due to component units decreased by \$174,431 (92.4%). At the end of fiscal 2016, the City owed the Water Works Board \$61,482 for the public works portion of a project to run fiber optic line from the Dean Road Recreation Center to the James Estes Water Treatment Plant. In addition, the City participated in providing funding for the Professional Golfers' Association's Barbasol Championship tournament for \$105,500. Both payables were classified as due to component units at the end of fiscal 2016 and were cleared in fiscal 2017.

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 \$4.8 million from this fund for operations in 2017. This is a \$320,407 (6.2%) decrease from 2016. This amount varies from year to year depending on property tax revenue collections, fund balance levels of this fund, and needs of the school system. In addition to the operating transfer, the City transferred \$29.5 million of borrowing proceeds to the Schools for construction of a new high school. In fiscal 2015, the City issued \$78.1 million in general obligation bonds for construction 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 \$696,417 (4.7%) in this fund. Expenditures, including the transfers mentioned above and debt service on borrowings, decreased by \$14.9 million (26.5%). 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 2016, thus causing the increase in other financing sources and uses.

Federal Grant Loan Repayment Fund (Governmental)

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

Total revenue in this fund increased by \$66,578 (17.7%). This increase is primarily attributable to an increase in program income of the Affordable Housing fund of \$82,330 (1,065.4%). In fiscal 2013, the City

provided a first and second mortgage to a homeowner through the City's Affordable Housing program. During the first month of fiscal 2017, the mortgagor repaid both mortgages totaling \$79,768.

Expenditures in this fund decreased by \$118,302 (29.6%) in fiscal 2017 as compared to 2016. There are two main components to the decrease. First, payments to component units decreased by \$75,000 (100%). During fiscal 2016, the City transferred \$75,000 to the Industrial Development Board to provide incentives for an industrial recruitment project. There were no transfers of this nature in fiscal 2017. Second, expenditures in the economic development function decreased by \$41,824 (65.3%). This decrease is related to the City's Section 108 Loan Program that began in 2011. As loans are made in this program, the disbursements are recognized as an expenditure of the economic development function. Section 108 loans made in fiscal 2016 totaled \$42,393, while there were no loans under this program in fiscal 2017.

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 \$4.2 million (9.0%) in fiscal year 2017. The largest change in the components of net position is an increase of \$1.8 million (345.0%) in restricted for capital projects. Included in this restriction is the amount of access fees collected during the year along with the balance of access fees from prior years that has not yet been used to fund projects. The City uses access fees to fund capital projects that expand the sewer system. Access fees collected in fiscal 2017 was \$1.8 million, a \$705,600 (64.3%) increase over fiscal 2016. The total in accumulated access fees, including 2017 collections, was \$2.3 million at the end of the year.

Assets of the Sewer Fund increased by \$1.5 million (1.7%). The main factor contributing to this change is an increase in cash and cash equivalents of \$2.4 million (29.4%). The main factor in this change is that the level of spending for capital assets decreased significantly by \$2.1 million (72.5%) from 2016. Also contributing is a \$533,452 (4.6%) increase in operating revenue.

Sewer Fund liabilities decreased by \$2.8 million (5.9%), 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 2017 as compared to 2016. As of September 30, 2017, the Sewer Fund has \$38.1 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 2018 is \$2.7 million.

Operating revenues of the Sewer Fund increased by \$533,452 (4.6%). As discussed in the *Proprietary Funds* section, this change in operating revenue is composed primarily of an increase in sewer access fees offset by a small decrease in sewer service fees. Sewer access fees increased by \$705,600 (64.3%). Two large student housing developments contributed \$623,700 in fiscal 2017. Sewer access fees are fees charged to customers for new access to the sewer system. Sewer service fees decreased by \$188,356 (1.8%). This decrease is related to a change in weather conditions as compared to those in 2016. Sewer service fees are user fees charged to customers based on their water usage. Water usage in fiscal 2017 was lower because the City experienced wetter than average conditions for most of the year. In contrast, weather conditions in fiscal 2016 were much drier. In September 2016, Auburn was officially experiencing drought conditions. As typical during dry weather patterns, customers use more water, thus increasing sewer service fees for fiscal 2016. As of the end of September 2017, the City experienced gains in measured rainfall of approximately 13 inches (average based on two gauge collections points), thus decreasing customers' water usage.

Operating expenses increased by \$411,926 (6.2%). Major components of this increase include an increase in depreciation of \$151,308 (6.2%) due to assets capitalized in fiscal 2016 and 2017; an increase in salaries and benefits due to regular salary adjustments and increased health claims; an increase in professional services of \$65,558 (76.7%) for general engineering and sewer flow monitoring; and an increase in facility management fees of \$52,620 (3.3%). Management fees are paid to Veolia Water North America Operating Services, LLC for operation of the City's two wastewater treatment plants.

For more 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 2017 *final* General Fund budget projected \$88.3 million in revenue and \$2.2 million in other financing sources; appropriations were approved for \$100.9 million in expenditures and \$1.9 million in other financing uses, producing a planned reduction of \$12.3 million in the General Fund's fund balance. Actual amounts for revenues (\$86.9 million), other financing sources (\$556,409), expenditures (\$88.9 million), and other financing uses (\$202,018) netted to a negative change in fund balance. As a result, the General Fund's fund balance decreased by \$1.7 million in 2017 from revenues and other sources and expenditures and other uses. Total ending fund balance in the General Fund was \$47.7 million at the end of fiscal 2017.

The *original* revenue projections in the General Fund were \$4.9 million under the *final* budget. Budget adjustments resulted from varied growth/decline in revenue sources, with the largest increase found in sales and use tax (\$1.1 million or 2.8%). Other significant increases from budget adjustments were seen in charges for services (\$749,101 or 9.3%), licenses and permits (\$649,500 or 5.5%), and contributions from the public (\$1.2 million or 91.4%). 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 \$589,569 (1.2%) over the *original* budget. The two largest increases (\$302,780 and \$165,828) were in the amounts appropriated for the public safety and public works functions, respectively. The adjustment of the public safety budget reflected changes in salaries based on position budgeting. The adjustment of the public works budget reflected an increase of \$258,633 for development agreement expenditures with an offsetting reduction of \$150,000 in the budget for engineering professional services.

Total actual departmental expenditures in the General Fund were under budget by \$4.9 million in fiscal 2017. All individual departments kept expenditures under final budget, with the most notable being in the public safety, public works, and general government and administration functions. More details of these departments is included below.

- The public safety function was under budget by \$1.7 million. The majority of this savings is attributable to vacant positions that were approved and budgeted. Other expenditures, such as fuel and repair parts, were also under budget.

- The public works function was under budget by \$695,003. 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 \$350,000; however, no expenditures were incurred for engineering services. Other expenditures, such as salaries, infrastructure materials, and fuel were also under budget.
- The General Government and Administration function was under budget by \$578,647. General government expenditures include sales and use tax rebates made to businesses participating in the City's Commercial Development Incentive Program, created pursuant to Amendment 772 to the Alabama Constitution of 1901. The number of businesses participating in the program that have met the requirements to begin receiving rebates has grown over the past three years. Given the highly variable nature of this rebate program, the budget for the rebate payments is very conservative, causing this expenditure to be \$127,654 under budget for fiscal 2017. Another factor contributing to this result is savings in salaries due to vacant positions throughout the year.

Non-departmental expenditures were under budget by \$857,626. The budget for 2017 included a contingency for implementation of a position classification study. The plan was formally implemented as of August 1, so increases in salaries as a result of the study only affected two months of fiscal 2017. The increased salaries were expended from the departmental budgets, causing non-departmental expenditures to be under budget.

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, 2017, the City owned \$269.0 million invested in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, wastewater infrastructure, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$19.1 million (7.6%) over last year. The majority of the increase includes streets contributed by developers, land purchases, building and facilities improvements, and roadway and intersection improvements

Table 8 lists the largest capital asset additions to the City for fiscal year 2017. Some of these additions were multi-year projects completed in 2017 and reclassified from construction in progress.

Table 8 **Largest Capital Asset Additions**
Fiscal Year 2017

	<u>Total Cost</u>
<i>Land Acquisition</i>	\$
Richland Road (future parks and recreation fields planned)	3,998,186
East Glenn Avenue (future parking lot planned)	1,094,703
<i>Roadway and intersection improvements</i>	
Streets and bridges constructed and donated by developers	5,030,881
W. Glenn resurfacing (with sidewalks)	916,712
N. College streetscape	661,976
S. College and Longleaf Dr. intersection improvements	661,931
<i>Building Improvements</i>	
Public Safety impound lot	553,871
<i>Equipment</i>	
Pumper fire truck	440,839
Solid waste side loader trucks (2)	502,534
Total	<u>13,861,633</u>

The City has committed, through general fund funding and potential future borrowings, to continue or complete some major construction projects in fiscal years 2018 and 2019. Although the timing and size of these projects could require adjustments to the schedule, the current capital improvements plan (CIP) for the next two years includes the following:

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

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

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

Long-term Liabilities

At 2017 fiscal year-end, the City owed \$277.0 million in long-term liabilities outstanding, of which \$13.5 million will mature during fiscal 2018. 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 2017 net increase in long-term liabilities, including the current portion, from the previous year was \$8.4 million or 3.1%.

Bonds and warrants payable

Bonds, warrants, and notes payable outstanding at September 30, 2017 totaled \$226.1 million. As mentioned in the *Net Position* section, the City issues debt for Auburn City Schools and for projects that result from partnerships with Auburn University or component units of the City. Of the \$226.1 million in debt outstanding, \$160.3 million is debt issued for assets that belong to Auburn City Schools and \$2.0 million is debt issued for assets that are owned by the City's Public Park and Recreation Board.

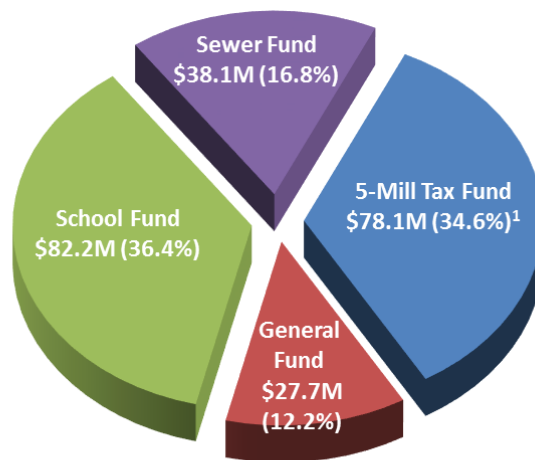
General obligation debt is usually payable from the City's general revenues (the General Fund). However, some long-term debt is payable from legally restricted revenue sources, such as debt issued to provide

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, 2017**



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

At the end of fiscal 2017, 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 2017.

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 \$82.2 million, which will be repaid from these dedicated taxes. 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 \$38.1 million at the end of fiscal 2017. 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 2017.

The remaining \$27.7 million in outstanding principal will be repaid solely from the General Fund. This total includes the Special Five Mill Tax Fund debt that was moved to the General Fund in fiscal 2016. The last debt issuance for the General Fund was in November 2012. There was no debt issued for the General Fund in fiscal 2017.

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 \$24.9 million, resulting in a legal debt margin (additional legal debt capacity) of \$154.5 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 2017 is 12.6%; the ratio for 2016 was 13.0%.

Bond Ratings

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

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

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

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

City of Auburn Mission Statement

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

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

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. As the economy within the State of Alabama and the nation as a whole continues to improve, Auburn has remained a relatively stable and growing economy. The City's unemployment rates

typically compare favorably with the State's and national rates. The most recent data available from the Alabama Department of Labor show that for September 2017, Auburn's unemployment rate (Auburn-Opelika metropolitan) was 2.8%. The State's unemployment rate in September 2017 was 3.9%, while the national rate was 4.2% (US Bureau of Labor Statistics, September 2017).

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Economic Development Department, in partnership with the City's Industrial Development Board (IDB), has achieved an outstanding level of success in this effort, bringing more than 6,700 new jobs to the City in the last 20 years. The IDB targets small to medium-sized technology based companies that offer a high level of employment to citizens. Many of the recruited industries are based on technology partnerships with the University. In addition, the City's advantageous location on Interstate 85 and its proximity to various automotive manufacturing facilities in Alabama and west central Georgia make Auburn a natural choice for second and third tier automotive suppliers. The additional payrolls brought to the City generate occupational license fees, and sales tax revenues, which enable the City to provide the high levels of services and facilities expected by its citizens. Auburn University, the State's largest land-grant university, is a stabilizing force in the local economy. The proximity of the University to the City's downtown area contributes significantly to a vibrant atmosphere and vigorous business activity.

The City's Commercial Development Incentive Program has brought numerous new and redeveloped commercial enterprises to our area. During 2017, this program facilitated the continued renovation and expansion of: Auburn Mall, which added fast-food chain Cook Out; Flint's Crossing Shopping Center, currently anchored by Panera Bread and Earth Fare; and Market Square Shopping Center. The program also facilitated new investment in: Cary Crossing, which will be anchored by Russell Building Supply; Restaurant Row, which houses two restaurants and Moe's Barbecue; Ross House Coffee, which renovated an old house into a coffee shop and roastery; and Stinky's Fish Camp.

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. In fiscal 2017, building permits were issued for 529 single-family detached houses, which represents an increase of 116 (28%). Commercial/industrial/institutional building activity (including new construction and additions/renovations) increased in fiscal year 2017 compared to the activity of 2016 in terms of valuation (\$7.6 million or 42.2%). A major component of this decrease resulted from permitting of a hotel in fiscal 2017. The City's size has grown from 45.5 square miles in 2001 to 60.8 square miles in 2017. Population growth continues to average about 3% per year.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2017 and 2018. Revenue is budgeted conservatively, yet realistically. Management's strategy has been to continue to contain operating costs in the new biennium while maintaining high levels of service and investing in capital asset maintenance and replacement. As mentioned in the *Capital Assets* section of this report, the City has quite a number of capital projects slated for 2018 and 2019. As 2018 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. 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 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.

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, 2017 was 53.5% of expenditures compared to 62.5% in 2016. The total fund balance includes \$4.1 million designated by the Council for use only in the event of natural disaster or significant, unexpected economic downturn. Total fund balance less the designated \$4.1 million comprised 48.8% 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 54.9% and 59.2% at the end of fiscal 2017 and 2016, 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. However, the City is currently working with a consultant to update the solid waste rate study that evaluates the adequacy of existing rates in funding future needs of the solid waste management system. The last formal rate study for solid waste was conducted in fiscal 2010.

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

The minimum monthly bill of 3,000 gallons for residential water customers increased from \$13.29 to \$13.89 (5%), effective October 1, 2016. In continued review of capital projects related to aging infrastructure, at the regular monthly Board meeting in September 2016, the Board approved a 5% rate increase effective October 1, 2017. This additional rate increase will change the residential rate from \$13.89 to 14.58 (5.0%) for water billed during fiscal 2018.

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. 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.



City of Auburn

Basic Financial Statements

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	44,990,739	12,259,389	57,250,128	41,532,805
Certificates of deposit	63,000	-	63,000	59,347
Receivables, net	10,113,108	2,116,095	12,229,203	1,747,773
Due from component units	388,795	54,317	443,112	-
Inventories	228,953	35,556	264,509	570,279
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	119,922	-	119,922	168,768
Current portion of net investment in capital leases	-	-	-	343,502
Property tax receivable	-	-	-	6,929,342
Due from other governments	-	-	-	1,001,482
Due from primary government	-	-	-	2,058,448
Other current assets	129,920	39,403	169,323	98,716
Restricted cash	20,006,765	-	20,006,765	362,884
Total current assets	76,224,112	14,504,760	90,728,872	54,873,346
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	9,845,222
Investments	-	-	-	4,262,468
Interest receivable	-	-	-	2,253
Assessments receivable, net of current portion	731,640	-	731,640	-
Mortgages and notes receivable, net of current portion	2,499,636	-	2,499,636	191,165
Investments	19,256,346	-	19,256,346	-
Net investment in capital leases, net of current portion	-	-	-	5,246,753
Advances to component units	1,050,000	-	1,050,000	-
Advances to other agencies	101,040	-	101,040	-
Property for resale	4,131,127	-	4,131,127	9,748,956
Capital assets not being depreciated	38,955,436	265,583	39,221,019	120,138,403
Capital assets net of accumulated depreciation	149,704,797	80,110,736	229,815,533	204,409,323
Net pension asset	-	-	-	10,484,550
Total noncurrent assets	216,430,022	80,376,319	296,806,341	364,329,093
Total assets	292,654,134	94,881,079	387,535,213	419,202,439
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	585,025
Deferred amount on refunding	3,314,343	2,945,759	6,260,102	803,630
Pension related	6,724,055	626,301	7,350,356	15,493,516
Total deferred outflows of resources	10,038,398	3,572,060	13,610,458	16,882,171

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

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017
CONTINUED

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	396,675
Current portion of long-term debt	-	-	-	865,000
Accrued interest payable	-	-	-	332,756
Accounts payable and other accrued liabilities	3,270,206	324,023	3,594,229	5,017,706
Payable to other governments	929,337	-	929,337	-
Due to component units	1,936,293	122,155	2,058,448	-
Accrued interest payable	2,007,689	480,254	2,487,943	-
Salaries and benefits payable	538,615	61,533	600,148	5,804,607
Claims payable	133,319	-	133,319	-
Customer deposits	288,997	758,678	1,047,675	671,952
Unearned revenue	2,012,599	-	2,012,599	2,013,446
Current portion of long-term debt	10,835,164	2,680,000	13,515,164	4,764,932
Short term notes payable	-	-	-	1,300,000
Due to primary government	-	-	-	443,112
Total current liabilities	<u>21,952,219</u>	<u>4,426,643</u>	<u>26,378,862</u>	<u>21,610,186</u>
Noncurrent liabilities:				
Advances from primary government	-	-	-	1,050,000
Derivative instrument liability	-	-	-	585,025
Long-term debt and other liabilities	188,320,792	38,913,153	227,233,945	82,200,989
Net pension liability	33,819,768	2,460,506	36,280,274	71,170,286
Total noncurrent liabilities	<u>222,140,560</u>	<u>41,373,659</u>	<u>263,514,219</u>	<u>155,006,300</u>
Total liabilities	<u>244,092,779</u>	<u>45,800,302</u>	<u>289,893,081</u>	<u>176,616,486</u>
DEFERRED INFLOWS OF RESOURCES				
Future property tax revenue	-	-	-	6,929,342
Pension related	70,588	73,409	143,997	2,041,132
Total deferred inflows of resources	<u>70,588</u>	<u>73,409</u>	<u>143,997</u>	<u>8,970,474</u>
NET POSITION				
Net investment in capital assets	172,516,412	41,989,278	214,505,690	242,066,971
Restricted for :				
Capital projects	1,127,908	2,266,933	3,394,841	3,090,950
Debt service	4,717,407	-	4,717,407	2,875,631
Federal and state grants	4,467,881	-	4,467,881	-
Restricted for other projects	2,438,562	-	2,438,562	1,963,617
Housing assistance payments	-	-	-	142,425
Replacement reserve	-	-	-	2,786,722
Special revenues (gas tax and road projects)	90,262	-	90,262	-
Special revenues (education)	33,803,594	-	33,803,594	-
Special revenues (public safety)	911,459	-	911,459	-
Unrestricted (deficit)	<u>(161,544,320)</u>	<u>8,323,217</u>	<u>(153,221,103)</u>	<u>(2,428,666)</u>
Total net position	<u>58,529,165</u>	<u>52,579,429</u>	<u>111,108,593</u>	<u>250,497,650</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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
	\$	\$	\$	\$	\$	\$	\$	
Primary government:								
Governmental activities:								
General government and administration	9,943,090	14,969,365	1,249,552	330,000	6,605,827	-	6,605,827	
Public works	9,360,886	856	661,662	9,338,035	639,667	-	639,667	
Environmental services	2,392,134	-	4,913	-	(2,387,221)	-	(2,387,221)	
Public safety	21,414,563	5,344,659	120,356	180,209	(15,769,339)	-	(15,769,339)	
Library	1,954,493	26,604	9,675	50,000	(1,868,214)	-	(1,868,214)	
Parks and recreation	6,826,158	661,328	15,789	332,045	(5,816,996)	-	(5,816,996)	
Planning	768,847	68,134	-	-	(700,713)	-	(700,713)	
Social and economic development	4,766,718	-	245,746	836,088	(3,684,884)	-	(3,684,884)	
Human resources	2,341,425	945,484	-	-	(1,395,941)	-	(1,395,941)	
Risk management	381,875	-	-	-	(381,875)	-	(381,875)	
Education (payments to Board of Education)	47,502,333	-	-	-	(47,502,333)	-	(47,502,333)	
Interest on long-term debt	7,041,045	-	-	-	(7,041,045)	-	(7,041,045)	
Total governmental activities	<u>114,693,567</u>	<u>22,016,430</u>	<u>2,307,693</u>	<u>11,066,377</u>	<u>(79,303,067)</u>	<u>-</u>	<u>(79,303,067)</u>	
Business-type activities:								
Sewer Revenue Fund	8,705,876	12,064,021	672	830,112		4,188,929	4,188,929	
Solid Waste Management Fund	4,576,422	4,843,280	-	30,651		297,509	297,509	
Total business-type activities	<u>13,282,298</u>	<u>16,907,301</u>	<u>672</u>	<u>860,763</u>		<u>4,486,438</u>	<u>4,486,438</u>	
Total primary government	<u>127,975,865</u>	<u>38,923,731</u>	<u>2,308,365</u>	<u>11,927,140</u>	<u>(79,303,067)</u>	<u>4,486,438</u>	<u>(74,816,629)</u>	
Component units:								
Board of Education	89,842,182	6,022,030	45,675,142	2,269,069				(35,875,941)
Water Works Board	11,393,658	10,799,307	-	1,891,500				1,297,149
Industrial Development Board	5,448,779	4,807,401	-	1,330,035				688,657
Housing Authority	4,463,006	428,405	4,070,893	-				36,292
Public Park & Recreation Board	744,039	96,498	-	-				(647,541)
Downtown Redevelopment Authority	27,342	-	-	-				(27,342)
Total Component Units	<u>111,919,006</u>	<u>22,153,641</u>	<u>49,746,035</u>	<u>5,490,604</u>				<u>(34,528,726)</u>
General revenues								
Taxes:								
Sales taxes					39,648,005	-	39,648,005	7,297,703
Occupational license fees					12,068,066	-	12,068,066	-
Property taxes					25,187,386	-	25,187,386	6,112,730
Motor fuel taxes					386,296	-	386,296	-
Lodging taxes					2,355,985	-	2,355,985	-
Rental and leasing taxes					890,599	-	890,599	-
Cigarette taxes					66,528	-	66,528	-
Alcoholic beverage taxes					215,281	-	215,281	583,677
Other taxes					-	-	-	57,253
Appropriations from the City of Auburn					-	-	-	48,429,300
Federal and state aid not restricted					-	-	-	3,160
Interest and investment earnings					505,746	36,533	542,279	405,567
Estimated pension earnings					-	-	-	640,298
Gain/(Loss) on disposal of assets					(221,202)	40,403	(180,799)	(3,245)
Miscellaneous					43,522	16,982	60,504	1,462,497
Transfers					110,605	(110,605)	-	-
Total general revenues and transfers					<u>81,256,817</u>	<u>(16,687)</u>	<u>81,240,130</u>	<u>64,988,940</u>
Change in net position					<u>1,953,750</u>	<u>4,469,751</u>	<u>6,423,501</u>	<u>30,460,214</u>
Net position - beginning					56,575,415	48,109,678	104,685,093	220,037,436
Net position - ending					<u>58,529,165</u>	<u>52,579,429</u>	<u>111,108,590</u>	<u>250,497,650</u>

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

CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	24,261,907	13,420,689	225,067	7,083,077	44,990,740
Certificates of deposit	-	63,000	-	-	63,000
Investments	15,888,431	2,494,140	873,776	-	19,256,347
Receivables, net	10,827,922	146,122	11,569	292,045	11,277,658
Due from other funds	61,471	-	-	-	61,471
Due from component units	388,795	-	-	-	388,795
Inventories	228,953	-	-	-	228,953
Prepaid items	54,356	-	-	1,414	55,770
Mortgages receivable	-	-	2,369,558	-	2,369,558
Advances to component units	-	-	1,050,000	-	1,050,000
Advances to other agencies	101,040	-	-	-	101,040
Restricted cash	305,255	19,601,511	99,998	-	20,006,764
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	56,249,257	35,725,462	4,629,968	7,376,536	103,981,223
LIABILITIES					
Accounts payable and accrued liabilities	3,741,637	-	203	104,532	3,846,372
Payables to other governments	929,337	-	-	-	929,337
Due to component units	14,425	1,921,869	-	-	1,936,294
Customer deposits	251,446	-	-	-	251,446
Claims payable	228,039	-	-	-	228,039
Due to other funds	-	-	-	61,471	61,471
Unearned revenue	3,394,744	-	3,416,705	62,847	6,874,296
Total liabilities	8,559,628	1,921,869	3,416,908	228,850	14,127,255
FUND BALANCES					
Nonspendable					
Investments	2,438,562	-	-	-	2,438,562
Inventories	228,953	-	-	-	228,953
Prepaid items	54,356	-	-	-	54,356
Advances	101,040	-	-	-	101,040
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Roads, bridges and streets	-	-	-	90,262	90,262
Law enforcement	305,255	-	-	997,952	1,303,207
Education	-	33,803,594	-	-	33,803,594
General grants	-	-	-	214,157	214,157
Social and economic	-	-	1,213,060	-	1,213,060
Capital projects	-	-	-	1,127,908	1,127,908
Debt service	-	-	-	4,717,407	4,717,407
Assigned					
Social and economic	350,482	-	-	-	350,482
General	8,206,739	-	-	-	8,206,739
Unassigned	31,873,117	-	-	-	31,873,117
Total fund balances	47,689,629	33,803,593	1,213,060	7,147,686	89,853,971
Total liabilities and fund balances	56,249,257	35,725,462	4,629,968	7,376,536	

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.	188,660,233
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(223,007,918)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,111,697
Prepaid items accounted for using the purchases method are not reported in the funds.	74,150
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(2,162,968)
Net position of governmental activities	58,529,165

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, 2017

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	39,648,007	-	-	-	39,648,007
Occupational license fees	12,068,066	-	-	-	12,068,066
Motor fuel taxes	760,818	-	-	-	760,818
Lodging taxes	2,355,985	-	-	-	2,355,985
Rental and leasing taxes	890,599	-	-	-	890,599
Other taxes	281,809	-	-	-	281,809
Licenses and permits	12,893,642	-	-	-	12,893,642
General property taxes	5,338,089	15,410,798	-	4,438,499	25,187,386
Charges for services	7,901,167	-	-	-	7,901,167
Fines and forfeitures	995,301	-	-	145,060	1,140,361
State shared taxes	1,232,377	-	-	283,182	1,515,559
Contributions from the public	2,212,379	-	-	28,845	2,241,224
Grants	-	-	-	3,537,706	3,537,706
Program income	-	-	362,754	-	362,754
Interest	255,818	151,934	80,412	17,583	505,747
Miscellaneous	47,357	-	396	-	47,753
Total revenues	<u>86,881,414</u>	<u>15,562,732</u>	<u>443,562</u>	<u>8,450,875</u>	<u>111,338,583</u>
Expenditures					
General government and administration	6,417,803	-	-	6,339	6,424,142
Public works	4,414,820	-	-	-	4,414,820
Environmental services	2,233,367	-	-	-	2,233,367
Public safety	20,328,308	-	-	92,199	20,420,507
Library	1,786,284	-	-	9,675	1,795,959
Parks and recreation	5,691,376	-	-	2,488	5,693,864
Planning	765,579	-	-	-	765,579
Economic development	1,152,893	-	22,239	327,011	1,502,143
Employee services	2,254,673	-	-	-	2,254,673
Risk management	299,416	-	-	-	299,416
Total departmental	<u>45,344,519</u>	<u>-</u>	<u>22,239</u>	<u>437,712</u>	<u>45,804,470</u>
Non-Departmental	2,071,381	579,408	-	165,939	2,816,728
Debt service					
Administrative charges	2,233	47,930	-	806	50,969
Interest	1,151,907	2,740,037	80,709	3,342,302	7,314,955
Principal retirement	6,186,487	3,687,148	178,000	-	10,051,635
Capital outlay	18,073,325	-	-	3,184,728	21,258,053
Intergovernmental	1,239,818	-	-	18,639	1,258,457
Payments to component units	14,871,298	34,322,417	-	505,035	49,698,750
Total expenditures	<u>88,940,968</u>	<u>41,376,940</u>	<u>280,948</u>	<u>7,655,161</u>	<u>138,254,017</u>
Excess (deficiency) of revenues over expenditures	<u>(2,059,554)</u>	<u>(25,814,208)</u>	<u>162,614</u>	<u>795,714</u>	<u>(26,915,434)</u>
Other financing sources (uses)					
Debt issuance	-	18,000,000	-	-	18,000,000
Sale of surplus assets	135,159	-	-	10,511	145,670
Transfers in	421,250	-	-	264,162	685,412
Transfers out	(202,018)	-	(82,790)	(290,000)	(574,808)
Total other financing sources (uses)	<u>354,391</u>	<u>18,000,000</u>	<u>(82,790)</u>	<u>(15,327)</u>	<u>18,256,274</u>
Net changes in fund balances	(1,705,163)	(7,814,208)	79,824	780,387	(8,659,160)
Fund balances, beginning of year	49,394,795	41,617,801	1,133,236	6,367,299	98,513,131
Fund balances, end of year	<u>47,689,631</u>	<u>33,803,593</u>	<u>1,213,060</u>	<u>7,147,686</u>	<u>89,853,971</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, 2017

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

Net change in fund balances - total governmental funds	\$	(8,659,160)
<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>		
		14,396,767
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>		
		5,519,826
<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>		
		(7,948,365)
<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>		
		(887,955)
<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>(467,363)</u>
Change in net position - statement of activities	\$	<u><u>1,953,750</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, 2017**

	<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	40,112,800	41,250,000	39,648,007	(1,601,993)
Occupational license fees	11,220,000	11,400,000	12,068,066	668,066
Motor fuel taxes	790,400	760,000	760,818	818
Lodging taxes	1,905,500	2,400,000	2,355,985	(44,015)
Rental and leasing taxes	715,000	815,000	890,599	75,599
Other taxes	259,570	278,000	281,809	3,809
Licenses and permits	11,723,500	12,373,000	12,893,642	520,642
General property taxes	5,039,250	5,200,000	5,338,089	138,089
Charges for services	8,093,232	8,842,333	7,901,167	(941,166)
Fines and forfeitures	1,091,000	1,031,000	995,301	(35,699)
State shared taxes	865,000	1,075,000	1,232,377	157,377
Contributions from the public	1,366,978	2,616,174	2,212,379	(403,795)
Interest	217,449	267,010	255,818	(11,192)
Miscellaneous	9,000	14,000	47,357	33,357
Total revenues	<u>83,408,679</u>	<u>88,321,517</u>	<u>86,881,414</u>	<u>(1,440,103)</u>
Expenditures				
General government and administration	7,153,936	6,996,450	6,417,803	578,647
Public works	4,943,995	5,109,823	4,414,820	695,003
Environmental services	2,506,690	2,628,574	2,233,367	395,207
Public safety	21,707,304	22,010,084	20,328,308	1,681,776
Library	1,754,369	1,803,941	1,786,284	17,657
Parks and recreation	6,064,719	6,098,307	5,691,376	406,931
Planning	901,937	938,827	765,579	173,248
Economic development	1,183,315	1,188,280	1,152,893	35,387
Employee services	2,686,352	2,717,900	2,254,673	463,227
Risk management	786,326	786,326	299,416	486,910
Total departmental	<u>49,688,943</u>	<u>50,278,512</u>	<u>45,344,519</u>	<u>4,933,993</u>
Non-departmental	2,845,708	2,929,007	2,071,381	857,626
Debt service:				
Administrative charges	2,200	2,200	2,233	(33)
Interest	1,151,546	1,151,546	1,151,907	(361)
Principal retirement	6,186,487	6,186,487	6,186,487	-
Capital outlay	9,653,541	24,243,763	18,073,325	6,170,438
Intergovernmental	1,177,818	1,263,418	1,239,818	23,600
Payments to component units	13,590,250	14,854,976	14,871,298	(16,322)
Total expenditures	<u>84,296,493</u>	<u>100,909,909</u>	<u>88,940,968</u>	<u>11,968,941</u>
Excess (deficiency) of revenues over expenditures	<u>(887,814)</u>	<u>(12,588,392)</u>	<u>(2,059,554)</u>	<u>10,528,838</u>
Other financing sources (uses)				
Sale of surplus assets	60,000	60,000	135,159	75,159
Transfers in	1,436,250	2,158,760	421,250	(1,737,510)
Transfers out	(1,015,000)	(1,918,883)	(202,018)	1,716,865
Total other financing sources (uses)	<u>481,250</u>	<u>299,877</u>	<u>354,391</u>	<u>54,514</u>
Net changes in fund balances	(406,564)	(12,288,515)	(1,705,163)	10,583,352
Fund balances, beginning of year	49,394,795	49,394,795	49,394,795	-
Fund balances, end of year	<u>48,988,231</u>	<u>37,106,280</u>	<u>47,689,631</u>	<u>10,583,352</u>

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

CITY OF AUBURN, ALABAMA
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
General property taxes	14,853,790	15,284,530	15,410,798	126,268
Interest	110,000	110,000	151,934	41,934
Total revenues	<u>14,963,790</u>	<u>15,394,530</u>	<u>15,562,732</u>	<u>168,202</u>
Expenditures				
Non-Departmental	506,450	577,750	579,408	(1,658)
Debt service				
Administrative charges	2,180	2,180	47,930	(45,750)
Interest	2,740,135	2,740,135	2,740,037	98
Principal retirement	3,687,148	3,687,148	3,687,148	-
Payments to component units	<u>43,017,107</u>	<u>57,832,707</u>	<u>34,322,417</u>	<u>23,510,290</u>
Total expenditures	<u>49,953,020</u>	<u>64,839,920</u>	<u>41,376,940</u>	<u>23,462,980</u>
Excess (deficiency) of revenues over expenditures	<u>(34,989,230)</u>	<u>(49,445,390)</u>	<u>(25,814,208)</u>	<u>23,631,182</u>
Other financing sources (uses)				
Debt issuance	-	18,000,000	18,000,000	-
Total other financing sources (uses)	<u>-</u>	<u>18,000,000</u>	<u>18,000,000</u>	<u>-</u>
Net changes in fund balances	(34,989,230)	(31,445,390)	(7,814,208)	23,631,182
Fund balances, beginning of year	<u>41,617,801</u>	<u>41,617,801</u>	<u>41,617,801</u>	<u>-</u>
Fund balances, end of year	<u><u>6,628,571</u></u>	<u><u>10,172,411</u></u>	<u><u>33,803,593</u></u>	<u><u>23,631,182</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, 2017

	Major Fund	Solid Waste Management	Total
	Sewer Revenue Fund	Fund	
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	10,776,075	1,483,314	12,259,389
Receivables, net	1,510,031	606,064	2,116,095
Due from component units	54,316	-	54,316
Inventories	22,149	13,407	35,556
Other current assets	24,397	15,006	39,403
Total current assets	12,386,968	2,117,791	14,504,759
Noncurrent assets			
Capital assets not being depreciated	265,583	-	265,583
Capital assets net of accumulated depreciation	78,634,296	1,476,440	80,110,736
Total noncurrent assets	78,899,879	1,476,440	80,376,319
Total assets	91,286,847	3,594,231	94,881,078
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	2,945,759	-	2,945,759
Pension related	275,248	351,053	626,301
Total deferred outflows of resources	3,221,007	351,053	3,572,060
LIABILITIES			
Current liabilities			
Accounts payable	178,170	146,056	324,226
Salaries and benefits payable	14,337	46,993	61,330
Due to component units	94,998	27,157	122,155
Accrued interest payable	480,254	-	480,254
Customer deposits	583,277	175,401	758,678
Current portion of long-term debt	2,680,000	-	2,680,000
Total current liabilities	4,031,036	395,607	4,426,643
Noncurrent liabilities			
Long-term debt and other liabilities	38,753,313	159,840	38,913,153
Net pension liability	1,058,713	1,401,793	2,460,506
Total noncurrent liabilities	39,812,026	1,561,633	41,373,659
Total liabilities	43,843,062	1,957,240	45,800,302
DEFERRED INFLOWS OF RESOURCES			
Pension related	24,311	49,098	73,409
Total deferred inflows of resources	24,311	49,098	73,409
NET POSITION			
Net investment in capital assets	40,512,838	1,476,440	41,989,278
Restricted for capital projects	2,266,933	-	2,266,933
Unrestricted	7,860,711	462,507	8,323,218
Total net position	50,640,482	1,938,947	52,579,429

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, 2017

	<u>Major Fund</u>		
	<u>Sewer Revenue Fund</u>	<u>Solid Waste Management Fund</u>	<u>Total</u>
	\$	\$	\$
Operating revenues			
Charges for services	12,064,021	4,843,280	16,907,301
Grants	672	-	672
Miscellaneous	10,427	6,555	16,982
Total operating revenues	<u>12,075,120</u>	<u>4,849,835</u>	<u>16,924,955</u>
Operating expenses			
Salaries and wages	952,522	1,841,968	2,794,490
Employee benefits	288,472	538,530	827,002
Repairs and maintenance	18,314	40,759	59,073
Utilities	698,595	322	698,917
Professional services	150,993	786,996	937,989
Rentals and leasing	106,295	-	106,295
Insurance	24,889	34,337	59,226
Office supplies	20,030	6,798	26,828
Fuels and lubricants	37,287	155,727	193,014
Agricultural and chemical supplies	35,768	913	36,681
Minor equipment and tools	85,975	67,953	153,928
Repair parts and materials	135,769	213,478	349,247
Clothing and linens	16,027	10,284	26,311
Sewer service fees	215,711	-	215,711
Management fees	1,655,047	334,000	1,989,047
Depreciation/amortization	2,572,382	519,156	3,091,538
Travel and training	17,737	11,186	28,923
Miscellaneous	1,670	14,015	15,685
Total operating expenses	<u>7,033,483</u>	<u>4,576,422</u>	<u>11,609,905</u>
Operating income (loss)	<u>5,041,637</u>	<u>273,413</u>	<u>5,315,050</u>
Nonoperating revenues (expenses)			
Interest earned	32,922	3,611	36,533
Interest and fiscal charges	(1,672,393)	-	(1,672,393)
Gain (loss) on disposal of capital assets	21,633	18,770	40,403
Total nonoperating revenues (expenses)	<u>(1,617,838)</u>	<u>22,381</u>	<u>(1,595,457)</u>
Income (loss) before transfers and capital contributions	3,423,799	295,794	3,719,593
Transfers	(60,268)	(50,337)	(110,605)
Capital contributions - grants	-	30,651	30,651
Capital contributions - developers	830,112	-	830,112
Change in net position	4,193,643	276,108	4,469,751
Net position - beginning	46,446,839	1,662,839	48,109,678
Net position - ending	<u>50,640,482</u>	<u>1,938,947</u>	<u>52,579,429</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, 2017

	Major Fund		Total
	Sewer Revenue Fund	Solid Waste Management Fund	
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	12,042,580	4,780,882	16,823,462
Other cash collected	10,427	6,555	16,982
Customer deposits collected	152,705	71,760	224,465
Customer deposits paid	(145,128)	(55,511)	(200,639)
Deferred grant revenue collected	(576)	-	(576)
Proceeds from operating grant	1,128	334	1,462
Payments to suppliers for goods and services	(3,313,496)	(1,608,477)	(4,921,973)
Payments to employees for services	(1,191,906)	(2,336,667)	(3,528,573)
Net cash provided (consumed) by operating activities (A)	<u>7,555,734</u>	<u>858,876</u>	<u>8,414,610</u>
Cash flows from noncapital financing activities			
Transfers in	15,982	4,663	20,645
Transfers out	(76,250)	(55,000)	(131,250)
Net cash provided (consumed) by noncapital financing activities	<u>(60,268)</u>	<u>(50,337)</u>	<u>(110,605)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(2,560,000)	-	(2,560,000)
Proceeds from sale of assets	21,633	18,770	40,403
Proceeds from capital grant	13,135	30,651	43,786
Acquisition and construction of capital assets	(816,245)	(595,221)	(1,411,466)
Interest and fiscal fees paid	(1,735,703)	-	(1,735,703)
Net cash provided (consumed) by capital and related financing activities	<u>(5,077,180)</u>	<u>(545,800)</u>	<u>(5,622,980)</u>
Cash flows from investing activities			
Interest on investments	32,922	3,611	36,533
Net cash provided (consumed) by investing activities	<u>32,922</u>	<u>3,611</u>	<u>36,533</u>
Net increase (decrease) in cash	2,451,208	266,349	2,717,558
Cash and cash equivalents, beginning of year	8,324,867	1,216,965	9,541,832
Cash and cash equivalents, end of year	<u>10,776,075</u>	<u>1,483,314</u>	<u>12,259,390</u>
Reconciliation of operating income (loss) to net cash provided by operating activities (A):			
Operating income (loss)	5,041,637	273,413	5,315,050
Add: Depreciation	2,572,382	519,156	3,091,538
Increase in accounts payable	-	58,389	58,389
Decrease in accounts receivable	3,910	-	3,910
Decrease in prepaid items	-	8,658	8,658
Increase in customer deposits	7,577	16,249	23,826
Increase in accrued leave	16,447	12,736	29,183
Increase in OPEB liability	9,385	-	9,385
Decrease in operating grant receivable	456	-	456
Increase in amounts due to component units	3,957	1,243	5,200
Increase in pension related liabilities	122,926	129,756	252,682
Deduct: Increase in accounts receivable	(11,959)	(62,064)	(74,023)
Decrease in accounts payable	(101,257)	-	(101,257)
Decrease in unearned revenue	(576)	-	(576)
Increase in amounts due from component units	(9,482)	-	(9,482)
Decrease in OPEB liability	-	(1,554)	(1,554)
Increase in deferred pension contributions	(98,718)	(96,102)	(194,820)
Decrease in pension related deferred inflows	(951)	(1,004)	(1,955)
Net cash provided by operating activities	<u>7,555,734</u>	<u>858,876</u>	<u>8,414,610</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	830,112	-	830,112
	<u>830,112</u>	<u>-</u>	<u>830,112</u>

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

**CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
ASSETS	
Current assets:	
Cash and cash equivalents	625,212
	625,212
Total assets	625,212
NET POSITION	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	171,026
Auburn Soccer Organization	386,620
Auburn Youth Football	20,496
Auburn Community Tennis Association	23,417
Auburn Cemetery Trust	23,653
	625,212
Total net position	625,212

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, 2017**

	Youth Athletic Associations' Private-purpose Trust Fund
ADDITIONS	\$
Program revenues:	
Baseball/Softball	118,253
Soccer	268,455
Football	22,856
Tennis	2,369
Total program revenues	411,933
Investment earnings:	
Baseball/Softball interest	392
Soccer interest	546
Football interest	39
Tennis interest	8
Cemetery Trust interest	59
Total investment earnings	1,044
Total additions	412,977
DEDUCTIONS	
Program expenses:	
Baseball/Softball	119,553
Soccer	195,341
Football	20,125
Tennis	2,241
Total deductions	337,260
Change in net position	75,717
Net position - beginning	549,495
Net position - ending	625,212

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, 2017

	Major Component Units					Total
	Board of Education	Water Works Board	Industrial Development Board	Housing Authority	Nonmajor Component Units	
	\$	\$	\$	\$	\$	\$
ASSETS						
Current assets:						
Cash and cash equivalents	30,549,027	6,490,318	1,230,425	3,252,666	10,369	41,532,805
Certificates of deposit	-	-	59,347	-	-	59,347
Receivables, net	30,550	1,500,597	182,642	13,674	20,310	1,747,773
Inventories	171,184	349,779	-	49,316	-	570,279
Current portion of mortgages and notes receivable	-	-	168,768	-	-	168,768
Current portion of net investment in capital leases	-	-	296,163	-	47,339	343,502
Property tax receivable	6,929,342	-	-	-	-	6,929,342
Due from other government	1,000,345	1,137	-	-	-	1,001,482
Due from primary government	1,921,869	136,579	-	-	-	2,058,448
Other current assets	-	54,537	32,620	9,074	2,485	98,716
Restricted cash	-	-	362,884	-	-	362,884
Total current assets	<u>40,602,317</u>	<u>8,532,947</u>	<u>2,332,849</u>	<u>3,324,730</u>	<u>80,503</u>	<u>54,873,346</u>
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	1,992,890	3,773,675	-	4,078,657	-	9,845,222
Investments	-	3,162,468	-	1,100,000	-	4,262,468
Interest receivable	-	2,253	-	-	-	2,253
Mortgages and notes receivable, net of current portion	-	-	191,165	-	-	191,165
Net investment in capital leases, net of current portion	-	-	3,925,504	-	1,321,249	5,246,753
Property for resale	-	-	9,748,956	-	-	9,748,956
Capital assets not being depreciated	89,433,066	18,393,353	11,111,006	1,200,978	-	120,138,403
Capital assets, net of accumulated depreciation	77,539,979	55,739,595	58,090,603	8,654,905	4,384,241	204,409,323
Net pension asset	-	-	-	10,484,550	-	10,484,550
Total noncurrent assets	<u>168,965,935</u>	<u>81,071,344</u>	<u>83,067,234</u>	<u>25,519,090</u>	<u>5,705,490</u>	<u>364,329,093</u>
Total assets	<u>209,568,252</u>	<u>89,604,291</u>	<u>85,400,083</u>	<u>28,843,820</u>	<u>5,785,993</u>	<u>419,202,439</u>
DEFERRED OUTFLOWS OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	-	-	585,025	-	-	585,025
Deferred amounts on refunding, net	-	803,630	-	-	-	803,630
Pension related	14,745,838	162,928	-	552,543	32,207	15,493,516
Total deferred outflows of resources	<u>14,745,838</u>	<u>966,558</u>	<u>585,025</u>	<u>552,543</u>	<u>32,207</u>	<u>16,882,171</u>
LIABILITIES						
Current liabilities:						
Liabilities payable from restricted assets:						
Accounts payable	-	396,675	-	-	-	396,675
Current portion of long-term debt	-	865,000	-	-	-	865,000
Accrued interest payable	-	126,395	206,361	-	-	332,756
Accounts payable and other accrued liabilities	2,847,707	1,862,966	198,823	54,238	53,972	5,017,706
Salaries and benefits payable	5,777,700	-	-	26,907	-	5,804,607
Customer deposits	-	640,767	-	31,185	-	671,952
Unearned revenue	1,883,597	-	119,168	10,681	-	2,013,446
Current portion of long-term debt	-	-	4,642,593	75,000	47,339	4,764,932
Short term loans payable	-	-	1,300,000	-	-	1,300,000
Due to primary government	-	443,112	-	-	-	443,112
Total current liabilities	<u>10,509,004</u>	<u>4,334,915</u>	<u>6,466,945</u>	<u>198,011</u>	<u>101,311</u>	<u>21,610,186</u>
Noncurrent liabilities:						
Advances from primary government	-	-	-	1,050,000	-	1,050,000
Derivative instrument liability	-	-	585,025	-	-	585,025
Long-term debt and other liabilities	-	34,721,593	46,032,333	125,814	1,321,249	82,200,989
Net pension liability	70,253,000	770,235	-	-	147,051	71,170,286
Total noncurrent liabilities	<u>70,253,000</u>	<u>35,491,828</u>	<u>46,617,358</u>	<u>1,175,814</u>	<u>1,468,300</u>	<u>155,006,300</u>
Total liabilities	<u>80,762,004</u>	<u>39,826,743</u>	<u>53,084,303</u>	<u>1,373,825</u>	<u>1,569,611</u>	<u>176,616,486</u>
DEFERRED INFLOWS OF RESOURCES						
Future property tax revenue	6,929,342	-	-	-	-	6,929,342
Pension related	1,809,000	229,074	-	-	3,058	2,041,132
Total deferred inflows of resources	<u>8,738,342</u>	<u>229,074</u>	<u>-</u>	<u>-</u>	<u>3,058</u>	<u>8,970,474</u>
NET POSITION						
Net investment in capital assets	166,973,045	39,448,196	21,405,606	9,855,883	4,384,241	242,066,971
Restricted for:						
Capital projects	-	3,090,950	-	-	-	3,090,950
Debt service	-	2,592,553	283,078	-	-	2,875,631
Other projects	1,963,617	-	-	-	-	1,963,617
Housing assistance payments	-	-	-	142,425	-	142,425
Replacement reserve	-	-	-	2,786,722	-	2,786,722
Unrestricted	(34,122,918)	5,383,333	11,212,121	15,237,508	(138,710)	(2,428,666)
Total net position	<u>134,813,744</u>	<u>50,515,032</u>	<u>32,900,805</u>	<u>28,022,538</u>	<u>4,245,531</u>	<u>250,497,650</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
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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	53,544,567	1,286,977	32,466,900	763,677	(19,027,013)	-	(19,027,013)
Instructional support	17,099,976	820,496	8,029,330	102,285	(8,147,865)	-	(8,147,865)
Operation and maintenance	6,668,170	96,195	1,405,584	930,839	(4,235,552)	-	(4,235,552)
Auxiliary services							
Student transportation services	4,595,471	154,453	2,932,164	472,268	(1,036,586)	-	(1,036,586)
Food services	3,805,861	2,833,186	260,215	-	(712,460)	-	(712,460)
General administrative services	2,968,798	1,426	385,550	-	(2,581,822)	-	(2,581,822)
Other	1,158,765	829,297	195,399	-	(134,069)	-	(134,069)
Interest and fiscal charges	574	-	-	-	(574)	-	(574)
Total governmental activities	<u>89,842,182</u>	<u>6,022,030</u>	<u>45,675,142</u>	<u>2,269,069</u>	<u>(35,875,941)</u>	<u>-</u>	<u>(35,875,941)</u>
Business-type activities:							
Water Works Board	11,393,658	10,799,307	-	1,891,500	-	1,297,149	1,297,149
Industrial Development Board	5,448,779	4,807,401	-	1,330,035	-	688,657	688,657
Housing Authority	4,463,006	428,405	4,070,893	-	-	36,292	36,292
Public Park & Recreation Board	744,039	96,498	-	-	-	(647,541)	(647,541)
Downtown Redevelopment Authority	27,342	-	-	-	-	(27,342)	(27,342)
Total business-type activities	<u>22,076,824</u>	<u>16,131,611</u>	<u>4,070,893</u>	<u>3,221,535</u>	<u>-</u>	<u>1,347,215</u>	<u>1,347,215</u>
Total component units	<u>111,919,006</u>	<u>22,153,641</u>	<u>49,746,035</u>	<u>5,490,604</u>	<u>(35,875,941)</u>	<u>1,347,215</u>	<u>(34,528,726)</u>
General revenues:							
Taxes:							
Sales taxes					7,297,703	-	7,297,703
Property taxes					6,112,730	-	6,112,730
Alcoholic beverage taxes					583,677	-	583,677
Other taxes					57,253	-	57,253
Unrestricted appropriations from the City of Auburn					47,407,625	1,021,675	48,429,300
Federal/state aid not restricted					3,160	-	3,160
Interest and investment earnings					86,458	319,109	405,567
Estimated pension earnings					-	640,298	640,298
Loss on disposal of assets					-	(3,245)	(3,245)
Miscellaneous					975,429	487,068	1,462,497
Total general revenues					<u>62,524,035</u>	<u>2,464,905</u>	<u>64,988,940</u>
Change in net position					<u>26,648,094</u>	<u>3,812,120</u>	<u>30,460,214</u>
Net position - beginning					<u>108,165,650</u>	<u>111,871,786</u>	<u>220,037,436</u>
Net position - ending					<u>134,813,744</u>	<u>115,683,906</u>	<u>250,497,650</u>

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

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Major Business-type Component Units			Nonmajor Business-type Component Units	Total
	Water Works Board	Industrial Development Board	Housing Authority		
	\$	\$	\$		
Operating revenues					
Lease income	-	4,807,401	-	-	4,807,401
Water sales and service	10,799,307	-	-	-	10,799,307
Tennis center revenue	-	-	-	96,498	96,498
Dwelling Rent	-	-	428,405	-	428,405
Operating grants	-	-	4,070,893	-	4,070,893
Sale of property	-	-	-	-	-
Miscellaneous	148,983	120,346	140,795	76,944	487,068
Total operating revenues	<u>10,948,290</u>	<u>4,927,747</u>	<u>4,640,093</u>	<u>173,442</u>	<u>20,689,572</u>
Operating expenses					
Water treatment and pumping expense	3,680,811	-	-	-	3,680,811
Water distribution expense	1,248,912	-	-	-	1,248,912
Meter reading expense	742,093	-	-	-	742,093
Operations administration expense	386,967	-	915,011	-	1,301,978
Utility billing office expense	1,124,113	-	-	-	1,124,113
Tenant services	-	-	33,084	-	33,084
General operations expense	680,954	-	180,449	-	861,403
Cost of property sold	-	-	-	-	-
Salaries and wages	-	-	-	163,624	163,624
Employee benefits	-	-	-	45,045	45,045
Repairs and maintenance	-	443,209	470,560	62,714	976,483
Housing assistance payments	-	-	2,065,066	-	2,065,066
Advertising	-	50,313	-	-	50,313
Utilities	-	115,430	136,813	110,893	363,136
Rentals and leasing	-	-	-	1,515	1,515
Insurance	-	-	-	3,785	3,785
Minor equipment and tools	-	-	-	15,242	15,242
Professional services	-	173,279	-	379	173,658
Office supplies	-	17,367	-	136	17,503
Agricultural and chemical supplies	-	-	-	20	20
Depreciation	2,074,958	1,391,502	632,147	340,570	4,439,177
Industrial recruitment	-	329,273	-	-	329,273
Industrial incentives granted	-	195,489	-	-	195,489
Travel and training	-	6,916	-	44	6,960
Special events	-	73,258	-	-	73,258
Workforce development	-	9,803	-	-	9,803
Miscellaneous	-	6,843	-	72	6,915
Total operating expenses	<u>9,938,808</u>	<u>2,812,682</u>	<u>4,433,130</u>	<u>744,039</u>	<u>17,928,659</u>
Operating income (loss)	<u>1,009,482</u>	<u>2,115,065</u>	<u>206,963</u>	<u>(570,597)</u>	<u>2,760,913</u>
Non-operating revenues (expenses)					
Interest and investment earnings	68,984	215,585	7,195	27,345	319,109
Estimated pension earnings	-	-	640,298	-	640,298
Appropriations from the City of Auburn	-	820,000	-	201,675	1,021,675
Amortization	(166,268)	-	-	-	(166,268)
Interest and fiscal charges	(1,288,582)	(2,556,122)	(29,876)	(27,342)	(3,901,922)
Capital contribution to the Auburn City Board of Education	-	(79,975)	-	-	(79,975)
Gain/(loss) on disposal of assets	9,921	(9,132)	-	(4,034)	(3,245)
Total non-operating revenues (expenses)	<u>(1,375,945)</u>	<u>(1,609,644)</u>	<u>617,617</u>	<u>197,644</u>	<u>(2,170,328)</u>
Income (loss) before capital contributions	<u>(366,463)</u>	<u>505,421</u>	<u>824,580</u>	<u>(372,953)</u>	<u>590,585</u>
Capital contributions					
From other governments	-	1,330,035	-	-	1,330,035
From developers	738,900	-	-	-	738,900
From access fees	1,152,600	-	-	-	1,152,600
Total capital contributions	<u>1,891,500</u>	<u>1,330,035</u>	<u>-</u>	<u>-</u>	<u>3,221,535</u>
Change in net position	<u>1,525,037</u>	<u>1,835,456</u>	<u>824,580</u>	<u>(372,953)</u>	<u>3,812,120</u>
Net position - beginning	48,989,995	31,065,349	27,197,958	4,618,484	111,871,786
Net position - ending	<u>50,515,032</u>	<u>32,900,805</u>	<u>28,022,538</u>	<u>4,245,531</u>	<u>115,683,906</u>

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



City of Auburn

City of Auburn, Alabama
Guide to Notes to the Financial Statements
September 30, 2017

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

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

City of Auburn Board of Education (ABOE)

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

Water Works Board of the City of Auburn (AWWB)

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

City of Auburn Industrial Development Board (IDB)

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, and no assets or liabilities as of September 30, 2017.

Housing Authority of the City of Auburn (the Authority)

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

The Housing Authority has a June 30 year end. The audited financial information from June 30, 2017, is included in this report. See Note 21 for the effect of the different year end on these financial statements.

Auburn Downtown Redevelopment Authority (ADRA)

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

RELATED ORGANIZATIONS

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

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

JOINT VENTURE

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

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July, 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2017, the City's remaining net investment in the Indian Pines Golf Course is \$503,300, which represents the initial cost of the land capitalized by the City.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

JOINTLY GOVERNED ORGANIZATIONS

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

Indian Pines Recreation Authority

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

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2017, is as follows:

Total assets and deferred outflows of resources	\$ 1,742,189
Total liabilities and deferred inflows of resources	<u>(170,498)</u>
Total net position	<u>\$ 1,571,691</u>
Total operating revenues	\$ 1,139,249
Total operating expenses	(1,113,355)
Other revenues	<u>798</u>
Net increase in net position	<u>\$ 26,692</u>

Lee-Russell Council of Governments

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

East Alabama Mental Health - Mental Retardation Board

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

Lee County Youth Development Center

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

East Alabama Medical Center

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

Auburn-Opelika Tourism Bureau

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

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

MAJOR FUNDS

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

The City reports the following major governmental funds:

The General Fund (See note above).

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

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

The City reports the following major proprietary fund:

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

D. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the current period." The details of this \$223,007,918 difference are as follows:

Bonds and warrants payable	\$ 185,237,420
Less: Deferred amount on refunding	(3,314,342)
Add: Issuance premium	7,256,694
Notes payable	2,787,000
Compensated absences	2,606,602
Claims and judgments	238,495
Landfill closure and post-closure care	126,000
Other postemployment benefits	903,748
Net pension liability	33,819,768
Less: Deferred outflow pension related	(6,724,055)
Add: Deferred inflow pension related	<u>70,588</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 223,007,918</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 \$14,402,062 difference are as follows:

Capital outlay	\$ 21,258,053
Depreciation expense	<u>(6,855,991)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 14,402,062</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position." The details of this \$5,514,531 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	\$ 5,886,697
Transfers from component units	(5,295)

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>(366,871)</u>
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Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*

<u>\$ 5,514,531</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 \$7,948,365 difference are as follows:

Debt issued or incurred:

General obligation warrants	\$ (18,000,000)
Principal repayments	<u>10,051,635</u>

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

<u>\$ (7,948,365)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 \$887,955 difference are as follows:

Compensated absences	\$ (143,009)
Accrued interest	(18,426)
Claims and judgments	(66,110)
Landfill closure and post-closure care	7,000
Other post employment benefits	(180,475)
Net pension liability	(788,114)
Amortization of deferred amount on refunding	(306,726)
Amortization of bond premiums	599,060
Amortization of prepaid expenses	<u>8,845</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (887,955)</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 2017 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, debt service administrative charges of \$2,233 exceeded appropriations of \$2,200; debt service interest charges of \$1,151,907 exceeded appropriations of \$1,151,546; and payments to component units of \$14,871,298 exceeded appropriations of \$14,854,976. In the Special School Tax Fund, non-departmental expenditures of \$579,408 exceeded appropriations of \$577,750; and debt service administrative charges of \$47,930 exceeded appropriations of \$2,180.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

Cash and cash equivalents of the Industrial Development Board include cash on hand, demand deposits and highly liquid investments with 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.

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

L. **Risk Financing**

CITY OF AUBURN PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, and torts related to municipal operations. These risks are covered by commercial insurance purchased from independent third parties. These risks are accounted for in the City’s General Fund. The total liability for unpaid claims within the coverage deductible consists of claims reported at the balance sheet date. 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 General Fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

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

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

The Auburn Board of Education does not have insurance coverage for job-related injuries. ABOE employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama* 1975, Section 16-1-18.1(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, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

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

M. Long-Term Obligations

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

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

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

N. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

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

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

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

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

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

- O. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 14.
- P. Pensions** - The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.
- Q. Fund Balance** - The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
 - Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution, which are equally binding. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The City has no amount classified as committed fund balance as of September 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

- T. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- U. Recently Implemented Accounting Pronouncements – GASB Statement No. 77, *Tax Abatement Disclosures*, was implemented during the fiscal year ended September 30, 2017. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; 2) the gross dollar amount of taxes abated during the period; and 3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. See Note 27.

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2017, 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, 2017, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority did not have any deposits.

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

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, 2017, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
<u>Governmental Activities</u>			
Certificates of deposit			
Special School Tax Fund	\$ 63,000	\$ 63,000	2017
Investments			
U.S. Treasury Notes			
General Fund	\$ 13,449,868	\$ 13,449,868	2018-2019
Special School Tax Fund	2,494,140	2,494,140	2018-2019
Federal Grant Loan Repayment Fund	873,776	873,776	2017
Industrial Development Revenue Bond	1,069,974	1,069,974	2023
Limited Obligation Revenue Bond	1,368,588	1,368,588	2035
Total investments	<u>\$ 19,256,346</u>	<u>\$ 19,256,346</u>	

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, was \$1,069,974.

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, 2017, was \$1,368,588.

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, 2017, the Board of Education's restricted cash and investments were composed of the following, all of which are insured by the SAFE Program:

	Carrying Value	Fair Value
Cash - Other Governmental Funds		
Child Nutrition Program	\$ 1,826,129	\$ 1,826,129
Dental Clinic	156,773	156,773
E-rate	9,988	9,988
	<u>\$ 1,992,890</u>	<u>\$ 1,992,890</u>

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

Water Works Board

At September 30, 2017, the Water Works Board's restricted cash, cash equivalents, and investments were comprised of the following:

	Carrying Value	Fair Value
Cash (Access Fee Account)	\$ 2,521,035	\$ 2,521,035
Pooled investments with City of Auburn	1,252,640	1,252,640
Bank of New York Mellon U.S. Treasury Securities Money Market Fund	<u>3,162,468</u>	<u>3,162,468</u>
Total restricted cash and investments	<u>\$ 6,936,143</u>	<u>\$ 6,936,143</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 \$3,162,468. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

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

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

Industrial Development Board

At September 30, 2017, 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	\$ 301,861	\$ 301,861
Restricted for capital projects	61,023	61,023
Total restricted cash	<u>\$ 362,884</u>	<u>\$ 362,884</u>

The restricted cash is held by a certified qualified public depository under the SAFE program is entirely insured. Cash restricted for debt service is restricted to payment of debt service by the terms of a bond indenture. 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 maturity date February 24, 2018	<u>\$ 59,347</u>	<u>\$ 59,347</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.

Auburn Housing Authority

The Authority's restricted assets consist of the following as of June 30, 2017:

<u>Restricted cash and investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Replacement reserve	\$ 2,786,722	\$ 2,786,722
FSS Escrows	24,510	24,510
Restricted for payment of debt	1,125,000	1,125,000
Restricted for HAP payments	<u>142,425</u>	<u>142,425</u>
Total restricted cash	<u>\$ 4,078,657</u>	<u>\$ 4,078,657</u>
Investments		
Certificate of deposit	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, and the change in its fair value for the year then ended as reported in the 2017 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at 9/30/17</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>\$ 320,551</u>	Long term liability	<u>\$ 585,025</u>	<u>\$ 3,790,000</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, 2017, 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, 2017, was \$3,790,000.
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-/Stable/A-3; A3

Credit Risk – As of September 30, 2017, 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, 2017

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, 2017, the interest rate on the IDB's hedged variable-rate debt was 1.24% and LIBOR was 1.23500%.

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.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 5. ACCOUNTS RECEIVABLE

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

	General Fund	Special School Tax Fund	Federal Grant Loan Repayment Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:								
Revenues receivable	\$ 12,602,892	\$ 144,122	\$ -	\$ 264,925	\$ 1,544,888	\$ 645,362	\$ 1,762,885	\$ 16,965,074
Grants receivable	-	-	-	189,724	-	-	-	189,724
Receivable from other governmental units	969,745	-	-	-	-	-	-	969,745
Other receivables	<u>978,315</u>	<u>2,000</u>	<u>11,569</u>	<u>-</u>	<u>57,132</u>	<u>-</u>	<u>66,466</u>	<u>1,115,482</u>
Gross receivables	14,550,952	146,122	11,569	454,649	1,602,020	645,362	1,829,351	19,240,025
Less: allowance for uncollectibles	<u>(3,723,030)</u>	<u>-</u>	<u>-</u>	<u>(162,604)</u>	<u>(91,989)</u>	<u>(39,298)</u>	<u>(81,578)</u>	<u>(4,098,499)</u>
Net receivables	<u>\$ 10,827,922</u>	<u>\$ 146,122</u>	<u>\$ 11,569</u>	<u>\$ 292,045</u>	<u>\$ 1,510,031</u>	<u>\$ 606,064</u>	<u>\$ 1,747,773</u>	<u>\$ 15,141,526</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017 was \$101,040 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
2018	\$ 17,539	\$ 3,257	\$ 20,796
2019	18,163	2,633	20,796
2020	18,809	1,987	20,796
2021	19,478	1,318	20,796
2022	20,170	626	20,796
2023	6,881	44	6,925
	<u>\$ 101,040</u>	<u>\$ 9,865</u>	<u>\$ 110,905</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, 2017:

	Balance 10/01/2016	Additions	Reductions	Balance 09/30/2017	Due Within One Year
Mortgages receivable	\$ 95,568	\$ -	\$ (11,000)	\$ 84,568	\$ 84,568
Notes receivable - other	70,455	224,289	(19,379)	275,365	84,200
Total	<u>\$ 166,023</u>	<u>\$ 224,289</u>	<u>\$ (30,379)</u>	<u>\$ 359,933</u>	<u>\$ 168,768</u>

Mortgages Receivable

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

Fiscal Year	Principal Due
2018	<u>\$ 84,568</u>

Notes Receivable

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 6. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

In September of 2017, the Board 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
2018	\$ 84,200	\$ 12,300	\$ 96,500
2019	107,611	6,460	114,071
2020	56,099	2,373	58,472
2021	15,786	1,194	16,980
2022	<u>11,669</u>	<u>339</u>	<u>12,008</u>
	<u>\$ 275,365</u>	<u>\$ 22,666</u>	<u>\$ 298,031</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, 2017:

	Balance 10/1/2016	Additions	Reclassi- fications	Disposals	Balance 9/30/2017
Land and buildings	\$ 3,997,233	\$ 601,917	\$ (186,448)	\$ (79,975)	\$ 4,332,727
Improvements in progress	<u>5,700,581</u>	<u>295,968</u>	<u>(580,320)</u>	<u>-</u>	<u>5,416,229</u>
Total property held for resale	<u>\$ 9,697,814</u>	<u>\$ 897,885</u>	<u>\$ (766,768)</u>	<u>\$ (79,975)</u>	<u>\$ 9,748,956</u>

The net reclassification consists of a transfer of property previously held for sale to land held for leasing by the IDB in the amount of \$766,768.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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.

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

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 9. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Balance 10/1/2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2017</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,350,781	\$ 5,500,203	\$ (141,589)	\$ 23,709,395
Construction in progress	<u>8,431,056</u>	<u>13,532,574</u>	<u>(6,717,589)</u>	<u>15,246,041</u>
Total capital assets, not being depreciated	<u>26,781,837</u>	<u>19,032,777</u>	<u>(6,859,178)</u>	<u>38,955,436</u>
Capital assets, being depreciated:				
Buildings and improvements	46,679,155	1,236,624	(349,915)	47,565,864
Communication equipment	381,851	-	-	381,851
Heavy equipment	3,291,694	613,342	(87,120)	3,817,916
Office equipment	3,618,962	957,661	(227,068)	4,349,555
Small tools and equipment	1,438,772	219,732	(45,187)	1,613,317
Vehicles	8,934,693	1,552,723	(666,120)	9,821,296
Infrastructure	<u>176,524,649</u>	<u>10,342,251</u>	<u>(98,066)</u>	<u>186,768,834</u>
Total capital assets, being depreciated	<u>240,869,776</u>	<u>14,922,333</u>	<u>(1,473,476)</u>	<u>254,318,633</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,162,559)	(1,362,004)	130,155	(17,394,408)
Communication equipment	(356,317)	(16,911)	-	(373,228)
Heavy equipment	(2,015,717)	(240,955)	87,004	(2,169,668)
Office equipment	(3,106,034)	(180,377)	227,068	(3,059,343)
Small tools and equipment	(1,015,892)	(165,897)	45,187	(1,136,602)
Vehicles	(7,015,803)	(857,015)	660,715	(7,212,103)
Infrastructure	<u>(69,235,652)</u>	<u>(4,032,832)</u>	<u>-</u>	<u>(73,268,484)</u>
Total accumulated depreciation	<u>(98,907,974)</u>	<u>(6,855,991)</u>	<u>1,150,129</u>	<u>(104,613,836)</u>
Total capital assets, being depreciated, net	<u>141,961,802</u>	<u>8,066,342</u>	<u>(323,347)</u>	<u>149,704,797</u>
Governmental activities capital assets, net	<u>\$ 168,743,639</u>	<u>\$ 27,099,119</u>	<u>\$ (7,182,525)</u>	<u>\$ 188,660,233</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 9. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2017, was as follows:

	Balance 10/1/2016	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>446,519</u>	<u>502,977</u>	<u>(848,539)</u>	<u>100,957</u>
Total capital assets, not being depreciated	<u>611,145</u>	<u>502,977</u>	<u>(848,539)</u>	<u>265,583</u>
Capital assets, being depreciated:				
Buildings and improvements	20,647,249	258,201	(19,895)	20,885,555
Sewage plants and lines	77,687,846	921,816	(116,519)	78,493,143
Machinery and equipment	3,010,206	697,849	(95,796)	3,612,259
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>5,036,192</u>	<u>726,377</u>	<u>(117,026)</u>	<u>5,645,543</u>
Total capital assets, being depreciated	<u>106,388,693</u>	<u>2,604,243</u>	<u>(349,236)</u>	<u>108,643,700</u>
Less accumulated depreciation for:				
Buildings, improvements, plants and lines	(21,068,860)	(2,163,355)	136,414	(23,095,801)
Machinery and equipment	(1,285,886)	(325,076)	95,796	(1,515,166)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(3,428,715)</u>	<u>(603,108)</u>	<u>117,026</u>	<u>(3,914,797)</u>
Total accumulated depreciation	<u>(25,790,661)</u>	<u>(3,091,539)</u>	<u>349,236</u>	<u>(28,532,964)</u>
Total capital assets, being depreciated, net	<u>80,598,032</u>	<u>(487,296)</u>	<u>-</u>	<u>80,110,736</u>
Business-type activities capital assets, net	<u>\$ 81,209,177</u>	<u>\$ 15,681</u>	<u>\$ (848,539)</u>	<u>\$ 80,376,319</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, 2017, the City incurred interest costs of \$1,687,433; total interest expense was \$1,670,333, and interest cost of \$17,100 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 9. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government and administration	\$ 283,410
Public works	4,411,966
Environmental services	173,338
Public safety	896,652
Library	146,210
Parks and recreation	863,189
Planning	180
Economic development	6,119
Employee services	<u>74,927</u>
Total depreciation expense - governmental activities	<u>\$ 6,855,991</u>
Business-type activities:	
Sewer revenue fund	\$ 2,572,382
Solid waste management fund	<u>519,156</u>
Total depreciation expense - business-type activities	<u>\$ 3,091,538</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 9. CAPITAL ASSETS - CONTINUED**COMPONENT UNITS****Board of Education**

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Balance 10/1/2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2017</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,951,536	\$ 6,712	\$ (3,998,186)	\$ 11,960,062
Construction in progress	<u>48,632,279</u>	<u>28,840,725</u>	<u>-</u>	<u>77,473,004</u>
Total capital assets, not being depreciated	<u>64,583,815</u>	<u>28,847,437</u>	<u>(3,998,186)</u>	<u>89,433,066</u>
Capital assets, being depreciated:				
Land improvements	5,423,466	-	-	5,423,466
Buildings and improvements	105,375,197	257,335	-	105,632,532
Furniture, equipment and vehicles	14,243,080	1,249,244	352,079	15,844,403
Equipment under capital lease	<u>399,052</u>	<u>-</u>	<u>(399,052)</u>	<u>-</u>
Total capital assets, being depreciated	<u>125,440,795</u>	<u>1,506,579</u>	<u>(46,973)</u>	<u>126,900,401</u>
Less accumulated depreciation for:				
Land improvements	(2,969,000)	(201,845)	-	(3,170,845)
Buildings and improvements	(33,038,682)	(2,575,476)	-	(35,614,158)
Furniture, equipment and vehicles	<u>(9,252,824)</u>	<u>(1,355,892)</u>	<u>33,297</u>	<u>(10,575,419)</u>
Total accumulated depreciation	<u>(45,260,506)</u>	<u>(4,133,213)</u>	<u>33,297</u>	<u>(49,360,422)</u>
Total capital assets, being depreciated, net	<u>80,180,289</u>	<u>(2,626,634)</u>	<u>(13,676)</u>	<u>77,539,979</u>
Total governmental activities capital assets, net	<u>\$ 144,764,104</u>	<u>\$ 26,220,803</u>	<u>\$ (4,011,862)</u>	<u>\$ 166,973,045</u>

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

Governmental activities:	
Instruction	\$ 3,287,977
Instructional support	51,900
Operation and maintenance	66,485
Auxiliary services	
Student transportation services	645,382
Food services	72,561
General administrative services	<u>8,908</u>
Total depreciation expense - governmental activities	<u>\$ 4,133,213</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/1/2016	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2017
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,382,108	\$ -	\$ (43,605)	\$ 1,338,503
Construction in progress	<u>9,035,046</u>	<u>8,610,217</u>	<u>(590,413)</u>	<u>17,054,850</u>
Total capital assets, not being depreciated	<u>10,417,154</u>	<u>8,610,217</u>	<u>(634,018)</u>	<u>18,393,353</u>
Capital assets, being depreciated:				
Utility system and plant	75,800,224	869,216	(50,460)	76,618,980
Buildings and improvements	6,525,111	325,515	-	6,850,626
Office equipment	595,036	134,582	(43,203)	686,415
Mobile equipment	1,238,323	332,341	(35,428)	1,535,236
Tools	<u>398,109</u>	<u>28,294</u>	<u>(13,978)</u>	<u>412,425</u>
Total capital assets, being depreciated	<u>84,556,803</u>	<u>1,689,948</u>	<u>(143,069)</u>	<u>86,103,682</u>
Less accumulated depreciation for:				
Utility system and plant	(24,417,035)	(1,622,298)	50,460	(25,988,873)
Buildings and improvements	(2,499,155)	(261,256)	-	(2,760,411)
Office equipment	(509,302)	(28,567)	43,203	(494,666)
Mobile equipment	(693,711)	(134,953)	35,428	(793,236)
Tools	<u>(312,995)</u>	<u>(27,884)</u>	<u>13,978</u>	<u>(326,901)</u>
Total accumulated depreciation	<u>(28,432,198)</u>	<u>(2,074,958)</u>	<u>143,069</u>	<u>(30,364,087)</u>
Total capital assets, being depreciated, net	<u>56,124,605</u>	<u>(385,010)</u>	<u>-</u>	<u>55,739,595</u>
Business-type activity capital assets, net	<u>\$ 66,541,759</u>	<u>\$ 8,225,207</u>	<u>\$ (634,018)</u>	<u>\$ 74,132,948</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, 2017, the AWWB incurred interest costs of \$1,442,177; total interest expense was \$1,283,785, and interest cost of \$158,392 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/1/2016	Additions	Retirements/ Reclassifications	Balance 9/30/2017
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 8,347,727	\$ -	\$ 766,768	\$ 9,114,495
Construction in progress	<u>1,235,907</u>	<u>5,060,583</u>	<u>(4,299,979)</u>	<u>1,996,511</u>
Total capital assets, not being depreciated	<u>9,583,634</u>	<u>5,060,583</u>	<u>(3,533,211)</u>	<u>11,111,006</u>
Capital assets, being depreciated:				
Buildings	60,810,836	-	4,299,979	65,110,815
Building improvements	2,593,655	-	(12,285)	2,581,370
Land improvements	1,792,248	-	-	1,792,248
Equipment	522,785	24,000	-	546,785
Vehicles	<u>170,075</u>	<u>-</u>	<u>-</u>	<u>170,075</u>
Total capital assets, being depreciated	<u>65,889,599</u>	<u>24,000</u>	<u>4,287,694</u>	<u>70,201,293</u>
Accumulated depreciation				
Buildings	(8,827,340)	(1,253,359)	-	(10,080,699)
Building improvements	(559,009)	(58,725)	3,153	(614,581)
Land improvements	(705,470)	(61,272)	-	(766,742)
Equipment	(530,341)	(6,463)	9,674	(527,130)
Vehicles	<u>(100,181)</u>	<u>(21,357)</u>	<u>-</u>	<u>(121,538)</u>
Total accumulated depreciation	<u>(10,722,341)</u>	<u>(1,401,176)</u>	<u>12,827</u>	<u>(12,110,690)</u>
Total capital assets, being depreciated, net	<u>55,167,258</u>	<u>(1,377,176)</u>	<u>4,300,521</u>	<u>58,090,603</u>
Total capital assets, net	<u>\$ 64,750,892</u>	<u>\$ 3,683,407</u>	<u>\$ 767,310</u>	<u>\$ 69,201,609</u>

It is the IDB's policy to capitalize net interest costs on funds borrowed to finance construction. For the year ended September 30, 2017, the IDB incurred interest costs of \$2,551,380; total interest expense was \$2,454,439, and interest costs of \$96,941 were capitalized in connection with construction of buildings owned by the IDB.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Balance</u> <u>10/1/2016</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deductions</u>	<u>Balance</u> <u>9/30/2017</u>
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,351,370	\$ 18,391	\$ (7,210)	\$ 7,362,551
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>7,452,927</u>	<u>18,391</u>	<u>(7,210)</u>	<u>7,464,108</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,650,250)	(338,236)	3,176	(2,985,310)
Machinery and equipment	(46,120)	(2,334)	-	(48,454)
Vehicles	<u>(46,103)</u>	<u>-</u>	<u>-</u>	<u>(46,103)</u>
Total accumulated depreciation	<u>(2,742,473)</u>	<u>(340,570)</u>	<u>3,176</u>	<u>(3,079,867)</u>
Business-type activity capital assets, net	<u>\$ 4,710,454</u>	<u>\$ (322,179)</u>	<u>\$ (4,034)</u>	<u>\$ 4,384,241</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance 7/1/2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 6/30/2017</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 1,190,220	\$ -	\$ -	\$ 1,190,220
Construction in progress	<u>4,629</u>	<u>6,129</u>	<u>-</u>	<u>10,758</u>
Total capital assets, not being depreciated	<u>1,194,849</u>	<u>6,129</u>	<u>-</u>	<u>1,200,978</u>
Capital assets, being depreciated:				
Buildings and improvements	21,122,276	-	-	21,122,276
Furniture and equipment	<u>456,380</u>	<u>-</u>	<u>(5,801)</u>	<u>450,579</u>
Total capital assets, being depreciated	<u>21,578,656</u>	<u>-</u>	<u>(5,801)</u>	<u>21,572,855</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,953,351)	(597,251)	-	(12,550,602)
Furniture and equipment	<u>(338,254)</u>	<u>(34,895)</u>	<u>5,801</u>	<u>(367,348)</u>
Less accumulated depreciation	<u>(12,291,605)</u>	<u>(632,146)</u>	<u>5,801</u>	<u>(12,917,950)</u>
Total capital assets, being depreciated, net	<u>9,287,051</u>	<u>(632,146)</u>	<u>-</u>	<u>8,654,905</u>
Business-type activity capital assets, net	<u>\$ 10,481,900</u>	<u>\$ (626,017)</u>	<u>\$ -</u>	<u>\$ 9,855,883</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, was as follows:

	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 88,945,000	\$ -	\$ (1,780,000)	\$ 87,165,000	\$ 1,840,000
General obligation warrants	88,166,051	18,000,000	(8,093,635)	98,072,416	8,570,055
Add: bond issue premiums	<u>7,855,754</u>	<u>-</u>	<u>(599,060)</u>	<u>7,256,694</u>	<u>-</u>
Total bonds and warrants payable	184,966,805	18,000,000	(10,472,695)	192,494,110	10,410,055
Notes payable	2,965,000	-	(178,000)	2,787,000	179,000
Accumulated annual leave	2,463,593	327,217	(184,208)	2,606,602	144,386
Claims payable	173,847	191,331	(126,683)	238,495	94,720
Landfill closure and postclosure care liability	133,000	-	(7,000)	126,000	7,000
Other postemployment benefits liability	723,273	180,475	-	903,748	-
Net pension liability	<u>30,565,624</u>	<u>3,254,144</u>	<u>-</u>	<u>33,819,768</u>	<u>-</u>
Governmental activity long-term liabilities	<u>221,991,142</u>	<u>21,953,167</u>	<u>(10,968,586)</u>	<u>232,975,723</u>	<u>10,835,161</u>
Business-type activities:					
General obligation warrants payable:					
Warrants payable	40,610,000	-	(2,560,000)	38,050,000	2,680,000
Add: warrant issue premiums	3,521,981	-	(236,238)	3,285,743	-
Less: warrant issue discounts	<u>(5,466)</u>	<u>-</u>	<u>2,523</u>	<u>(2,943)</u>	<u>-</u>
Total warrants payable	44,126,515	-	(2,793,715)	41,332,800	2,680,000
Accumulated annual leave	132,486	30,528	(1,346)	161,668	9,700
Other postemployment benefits liability	90,854	7,831	-	98,685	-
Net pension liability	<u>2,207,824</u>	<u>252,682</u>	<u>-</u>	<u>2,460,506</u>	<u>-</u>
Business-type activity long-term liabilities	<u>46,557,679</u>	<u>291,041</u>	<u>(2,795,061)</u>	<u>44,053,659</u>	<u>2,689,700</u>
Total primary government long-term liabilities	<u>\$ 268,548,821</u>	<u>\$ 22,244,208</u>	<u>\$ (13,763,647)</u>	<u>\$ 277,029,382</u>	<u>\$ 13,524,861</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, 2017, \$64,195,000 of defeased bonds and warrants remain outstanding.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2017, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2017	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	\$ 3,470,000	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	2,615,000	2024
General obligation refunding bonds, Dated 8/1/12 (Refund '98, '99, '02, and '05 bonds '98 bonds - S. College Imp.; '99 bonds - Library, Watson Complex; '02 bonds - Soccer, Town Creek; '05 bonds - '05 Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	6,180,000	1,190,000	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	1,745,000	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	<u>78,145,000</u>	<u>78,145,000</u>	2045
Total bonds payable				<u>99,835,000</u>	<u>87,165,000</u>	
Notes Payable:						
Note payable, U. S. Dept of Housing and Urban Development, Dated 3/27/12 (Loan Guarantee Assistance)	LIBOR+0.2%	Monthly	Section 108 Loan Program Fund	<u>3,312,000</u>	<u>2,787,000</u>	2034

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2017	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	2,045,263	2026
General obligation warrants Dated 5/29/08 (Refund '05 Mall Warrants)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,657,050	796,584	2018
General obligation warrants Dated 5/29/08 (Refund Aub. Bank LOC) (Aub. Bank LOC - Glenn Ave/Bent Creek)	4.62%	Monthly	Full faith credit and taxing power of the City of Auburn	8,800,000	809,739	2018
General obligation warrants Dated 12/19/08 (Auburn HS renovations)	4.76%	Monthly	Special School Tax Fund ad valorem taxes	8,500,000	5,627,891	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	17,900,000	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	969,967	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	5,954,692	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	863,101	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	14,297,662	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	914,550	2022
General obligation warrants Dated 8/1/12 (refund '99 warrants) ('99 warrants - City Hall, streets, etc)	2% - 5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	1,790,000	550,000	2019

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2017	Year of Final Principal Maturity
General obligation refunding school warrants Dated 8/1/12 (partially refund '05 warrants - school expansion)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,080,000	16,300,000	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	2,972,968	2022
General obligation warrants Dated 10/28/14 (partially refund '05 warrants - school improvement)	1% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	10,240,000	10,070,000	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	<u>18,000,000</u>	<u>18,000,000</u>	2037
Total warrants payable				<u>145,796,150</u>	<u>98,072,417</u>	
Total governmental activity bonds, notes, and warrants payable				<u>248,943,150</u>	<u>188,024,417</u>	
Business-type activities:						
Warrants payable:						
General obligation warrants Dated 12/1/08 (Refund Compass Bank Note; Sewer capital projects)	4%-5.625%	6/1-12/1	Sewer Fund	25,370,000	1,580,000	2018
General obligation warrants Dated 9/1/09 (Partial refund '01 Warrants)	3.5%-5%	1/1-7/1	Sewer Fund	15,245,000	12,950,000	2024
General obligation warrants Dated 8/1/12 (Refund '01 warrants; Sewer capital projects)	2% - 5%	2/1-8/1	Sewer Fund	10,030,000	4,440,000	2032
General obligation warrants Dated 10/28/14 (Partial refund '08 warrants)	3%-5%	6/1-12/1	Sewer Fund	<u>19,240,000</u>	<u>19,080,000</u>	2033
Total business type activity warrants payable				<u>69,885,000</u>	<u>38,050,000</u>	
Total bonds, notes, and warrants payable				<u>\$318,828,150</u>	<u>\$ 226,074,417</u>	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017:

Fiscal Year	Total Annual Requirements			Governmental Activity Bonds, Notes, and Warrants Payable			Business-type Activity Warrants Payable		
	Principal	Interest	Total	Payable from General Governmental		Total Requirements	Principal	Interest	Total Requirements
				Issues					
2018	\$ 13,269,055	\$ 8,987,415	\$ 22,256,470	\$ 10,589,055	\$ 7,376,640	\$ 17,965,695	\$ 2,680,000	\$ 1,610,775	\$ 4,290,775
2019	12,134,275	8,482,060	20,616,335	9,324,275	7,002,985	16,327,260	2,810,000	1,479,075	4,289,075
2020	12,255,220	7,982,286	20,237,506	9,355,220	6,641,911	15,997,131	2,900,000	1,340,375	4,240,375
2021	13,141,515	7,473,294	20,614,809	10,111,515	6,266,969	16,378,484	3,030,000	1,206,325	4,236,325
2022	11,627,012	6,975,294	18,602,306	8,472,012	5,894,831	14,366,843	3,155,000	1,080,463	4,235,463
2023	11,881,256	6,516,129	18,397,385	8,591,256	5,569,635	14,160,891	3,290,000	946,494	4,236,494
2024	12,137,248	6,009,486	18,146,734	8,712,248	5,206,408	13,918,656	3,425,000	803,078	4,228,078
2025	9,042,731	5,557,073	14,599,804	7,612,731	4,863,379	12,476,110	1,430,000	693,694	2,123,694
2026	10,712,075	5,160,856	15,872,931	9,212,075	4,540,162	13,752,237	1,500,000	620,694	2,120,694
2027	8,395,060	4,682,522	13,077,582	6,820,060	4,138,328	10,958,388	1,575,000	544,194	2,119,194
2028	8,549,827	4,310,814	12,860,641	6,889,827	3,846,995	10,736,822	1,660,000	463,819	2,123,819
2029	8,360,915	3,945,775	12,306,690	6,620,915	3,566,581	10,187,496	1,740,000	379,194	2,119,194
2030	8,621,032	3,629,670	12,250,702	6,816,032	3,317,351	10,133,383	1,805,000	312,319	2,117,319
2031	8,972,645	3,336,720	12,309,365	7,112,645	3,079,226	10,191,871	1,860,000	257,494	2,117,494
2032	8,464,058	3,092,422	11,556,480	6,544,058	2,892,906	9,436,964	1,920,000	199,516	2,119,516
2033	7,866,266	2,817,955	10,684,221	6,271,266	2,694,330	8,965,596	1,595,000	123,625	1,718,625
2034	8,146,692	2,454,400	10,601,092	6,471,692	2,412,525	8,884,217	1,675,000	41,875	1,716,875
2035	6,657,799	2,111,886	8,769,685	6,657,799	2,111,886	8,769,685			
2036	4,720,607	1,839,285	6,559,892	4,720,607	1,839,285	6,559,892			
2037	4,894,129	1,662,473	6,556,602	4,894,129	1,662,473	6,556,602			
2038	3,910,000	1,477,313	5,387,313	3,910,000	1,477,313	5,387,313			
2039	4,070,000	1,313,538	5,383,538	4,070,000	1,313,538	5,383,538			
2040	4,240,000	1,141,363	5,381,363	4,240,000	1,141,363	5,381,363			
2041	4,415,000	960,200	5,375,200	4,415,000	960,200	5,375,200			
2042	4,600,000	783,600	5,383,600	4,600,000	783,600	5,383,600			
2043	4,790,000	599,600	5,389,600	4,790,000	599,600	5,389,600			
2044	4,995,000	408,000	5,403,000	4,995,000	408,000	5,403,000			
2045	5,205,000	208,200	5,413,200	5,205,000	208,200	5,413,200			
Total	\$ 226,074,417	\$ 103,919,629	\$ 329,994,046	\$ 188,024,417	\$ 91,816,620	\$ 279,841,037	\$ 38,050,000	\$ 12,103,009	\$ 50,153,009

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

On August 4, 2017, the City issued its \$18,000,000 General Obligation School Warrants. The net proceeds of \$17,953,500 (after payment of \$46,500 in issuance costs) were used to fund certain public school capital improvements. The Warrants bear interest at 2.58%. Principal and interest payments are due semiannually beginning February 2018 and continuing through August of 2037.

COMPONENT UNITS

Water Works Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Balance 10/1/2016	Additions	Reductions	Balance 9/30/2017	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 17,520,000	\$ -	\$ (770,000)	\$16,750,000	\$ 810,000
Bonds payable - 2015 issue	16,695,000	-	(60,000)	16,635,000	55,000
Add: bond issue premiums	<u>2,214,059</u>	-	<u>(110,677)</u>	<u>2,103,382</u>	-
Total	<u>36,429,059</u>	-	<u>(940,677)</u>	<u>35,488,382</u>	<u>865,000</u>
Accumulated annual leave	52,627	5,764	-	58,391	-
Other postemployment benefits liability	44,537	-	(4,717)	39,820	-
Net pension liability	<u>781,469</u>	-	<u>(11,234)</u>	<u>770,235</u>	-
Total	<u>878,633</u>	<u>5,764</u>	<u>(15,951)</u>	<u>868,446</u>	-
Business-type activity long-term liabilities	<u>\$ 37,307,692</u>	<u>\$ 5,764</u>	<u>\$ (956,628)</u>	<u>\$36,356,828</u>	<u>\$ 865,000</u>

Bonds payable at September 30, 2017, 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, 2017, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2017	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	\$ 16,750,000	2032
Capital improvement bonds, Dated 11/24/15	3.0% to 5.0%	3/1-9/1	Revenues	\$ 16,695,000	\$ 16,635,000	2040

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017:

Year ending September 30	Principal	Interest	Total
2018	\$ 865,000	\$ 1,516,737	\$ 2,381,737
2019	910,000	1,475,412	2,385,412
2020	950,000	1,432,013	2,382,013
2021	995,000	1,386,613	2,381,613
2022-2026	5,540,000	6,377,788	11,917,788
2027-2031	6,955,000	4,964,250	11,919,250
2032-2036	8,635,000	3,276,325	11,911,325
2037-2040	<u>8,535,000</u>	<u>1,003,050</u>	<u>9,538,050</u>
Total	<u>\$ 33,385,000</u>	<u>\$ 21,432,188</u>	<u>\$ 54,817,188</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, 2017.

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

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Balance 10/1/2016	Additions	Reductions	Balance 9/30/2017	Due Within One Year
Long-term notes payable	\$ 44,612,626	\$ 6,808,363	\$ (4,536,063)	\$ 46,884,926	\$ 4,327,593
Short term notes payable	331,798	4,654,065	(3,685,863)	1,300,000	1,300,000
Bonds payable	<u>4,080,000</u>	-	<u>(290,000)</u>	<u>3,790,000</u>	<u>315,000</u>
Total	<u>\$ 49,024,424</u>	<u>\$ 11,462,428</u>	<u>\$ (8,511,926)</u>	<u>\$ 51,974,926</u>	<u>\$ 5,942,593</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, 2017 are comprised of Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds in the original principal amount of \$5,640,000. The bonds were used to fund real property improvements and to refund previous outstanding debt.

The debt service payments on the Series 2006-A bonds are limited obligations of the IDB, payable solely out of payments received pursuant to an Appropriation Agreement with the City of Auburn and funds drawn by the trustee from a letter of credit issued by Aliant Bank. Under the agreement which was approved by City Council in July 2006 and amended in September 2011, the City has agreed to appropriate during each fiscal year an amount equal to the debt service on the bonds. The agreement is automatically renewed each fiscal year for a term of twelve months, unless the City passes a resolution electing not to renew the agreement prior to the first day of the applicable fiscal year. As of the date of these financial statements, the agreement had been extended to September 30, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 2017 was 0.94%. Interest incurred for the fiscal year amounted to \$235,066.

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

There is no take out agreement in place to convert the bonds to permanent financing in the event the remarketing agent is unable to resell bonds that are repurchased under the optional tender provision. Under an irrevocable letter of credit issued by Aliant Bank, the trustee or remarketing agent may draw an amount equal to the purchase price of bonds tendered for purchase plus an amount corresponding to thirty-five (35) days of interest on the bonds, computed at the maximum rate of interest. The letter of credit expires on September 22, 2018. If notice is not given by Aliant Bank within fifty days of the expiration of the letter of credit, it is automatically renewed in one-year periods until September 22, 2019. In the event the remarketing agent is unable to resell the tendered bonds, any principal drawn on the letter of credit to purchase the bonds bears interest at a variable rate equal to the prime rate plus 3%. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

<u>Fiscal Year</u>	<u>Principal Maturities</u>
2018	\$ 315,000
2019	<u>3,475,000</u>
	<u>\$ 3,790,000</u>

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

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

<u>Fiscal Year</u>	<u>Series 2006-A</u>
2018	\$ 315,000
2019	335,000
2020	360,000
2021	385,000
2022	415,000
2023	445,000
2024	475,000
2025	510,000
2026	<u>550,000</u>
Total	<u>\$ 3,790,000</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2017, using the variable interest rate in effect on the last day of the fiscal year (1.24%):

Fiscal Year	Series 2006-A		Total
	Principal	Interest	
2018	\$ 315,000	\$ 46,343	\$ 361,343
2019	335,000	42,396	377,396
2020	360,000	38,190	398,190
2021	385,000	33,674	418,674
2022	415,000	28,838	443,838
2023	445,000	23,630	468,630
2024	475,000	18,050	493,050
2025	510,000	12,087	522,087
2026	550,000	5,680	555,680
Total	<u>\$ 3,790,000</u>	<u>\$ 248,888</u>	<u>\$ 4,038,888</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, 2017, 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		
2018	\$ 315,000	\$ 46,343	\$ 173,226	\$ 534,569
2019	335,000	42,396	158,471	535,867
2020	360,000	38,190	142,750	540,940
2021	385,000	33,674	125,871	544,545
2022	415,000	28,838	83,332	527,170
2023	445,000	23,630	-	468,630
2024	475,000	18,050	-	493,050
2025	510,000	12,087	-	522,087
2026	550,000	5,680	-	555,680
Total	<u>\$ 3,790,000</u>	<u>\$ 248,888</u>	<u>\$ 683,650</u>	<u>\$ 4,722,538</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

Long-term notes payable

Notes payable of the IDB at September 30, 2017, are comprised of the following individual issues:

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Principal Issued</u>	<u>Principal Outstanding 9/30/2017</u>	<u>Year of Final Principal Maturity</u>
AuburnBank	5.000%	Monthly	\$ 8,670,000	\$ 5,152,279	2019
AuburnBank	5.000%	Monthly	2,157,341	2,000,919	2020
AuburnBank	5.000%	Monthly	300,000	221,195	2022
AuburnBank	5.000%	Monthly	1,079,500	645,248	2020
AuburnBank	5.000%	Monthly	3,144,057	2,686,448	2019
AuburnBank	5.000%	Monthly	2,146,000	1,764,948	2022
AuburnBank	5.000%	Monthly	1,290,000	842,359	2022
AuburnBank	5.000%	Monthly	2,274,000	1,822,705	2022
AuburnBank	5.000%	Monthly	1,025,000	676,535	2022
AuburnBank	5.000%	Monthly	4,753,000	4,295,343	2021
AuburnBank	5.000%	Monthly	2,380,000	1,744,880	2019
AuburnBank	5.000%	Monthly	491,000	362,262	2022
AuburnBank	5.000%	Monthly	825,000	607,068	2019
AuburnBank	6.000%	Monthly	165,250	112,303	2019
AuburnBank	4.750%	Monthly	4,250,000	3,746,003	2019
AuburnBank	4.750%	Monthly	475,000	418,668	2019
AuburnBank	6.000%	Monthly	168,589	29,257	2018
AuburnBank	5.000%	Monthly	3,102,500	2,987,202	2021
AuburnBank	4.850%	Monthly	7,000,000	6,533,194	2020
AuburnBank	5.000%	Monthly	260,000	237,944	2021
AuburnBank	5.000%	Monthly	422,500	422,500	2023
AuburnBank	5.000%	Monthly	3,685,863	3,669,127	2022
AuburnBank	4.500%	Monthly	2,700,000	2,686,883	2022
Aliant Bank	5.500%	Monthly	2,656,136	2,149,683	2018
City of Auburn	3.030%	Monthly	1,800,000	1,069,973	2023
Total notes payable			<u>\$ 57,220,736</u>	<u>\$ 46,884,926</u>	

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

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2017:

<u>Fiscal Year</u>	<u>Total Annual Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,332,987	\$ 2,278,656	\$ 6,611,643
2019	15,101,511	1,664,452	16,765,963
2020	9,508,032	1,241,648	10,749,680
2021	7,505,186	687,060	8,192,246
2022	9,961,841	320,648	10,282,489
2023	475,369	2,713	478,082
Total	<u>\$ 46,884,926</u>	<u>\$ 6,195,177</u>	<u>\$ 53,080,103</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

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

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

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

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

Year ending June 30	Principal	Interest	Total
2018	\$ 75,000	\$ 29,216	\$ 104,216
2019	75,000	28,369	103,369
2020	75,000	27,165	102,165
2021	75,000	25,718	100,718
2022	75,000	24,094	99,094
2023-2027	375,000	90,619	465,619
2028-2032	<u>375,000</u>	<u>32,287</u>	<u>407,287</u>
Total	<u>\$1,125,000</u>	<u>\$ 257,468</u>	<u>\$1,382,468</u>

NOTE 11. UNEARNED PROGRAM REVENUE

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2017, totaled \$153,142.

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, 2017, totaled \$1,489,135.

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, 2017, totaled \$1,774,428, of which \$1,050,000 is listed as advances to component units.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 thirteen years and the capital leases expire over the next seventeen 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, 2017, was \$9,114,495, and \$65,110,815, respectively; accumulated depreciation on the buildings was \$10,082,805. Rents received during 2017 were \$4,640,118. Of the twenty leases in effect at September 30, 2017, sixteen were noncancelable. One lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; the lease provides for automatic one-year renewal terms ending on May 31, 2025, and annual minimum rentals of \$35,000 payable in advance.

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. In September 2011, the lease was further amended to conform to the terms of the amended trust agreement related to the Series 2006-A bonds (see Note 10). Pursuant to the terms of an interest rate swap (see Note 4), rentals due under the lease were changed in 2009 to variable amounts equal to the total debt service on the Series 2006-A bonds, including certain fees related to the debt, and payments due under the rate swap agreement. The lease was further amended in 2013 to incorporate an additional expansion. Because the debt service payments are based on variable rates and include payments due under the swap, rental amounts included in the following schedule are calculated using rates in effect as of September 30, 2017.

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, 2017:

<u>Fiscal Year</u>	<u>Future Minimum Rental Payments</u>
2018	\$ 4,853,157
2019	3,778,694
2020	3,470,988
2021	3,472,434
2022	3,091,488
2023	3,045,658
2024	3,040,598
2025	2,610,952
2026	2,120,913
2027	1,584,807
2028	1,065,813
2029	1,065,813
2030	972,998
2031	508,921
2032	508,921
2033	84,820
Total	<u>\$ 35,276,975</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12. LEASE AGREEMENTS - CONTINUED

Capital leases

- A. The IDB has leased, under capital leases, nine parcels of land located in its Industrial Parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2019 to 2045, and several of the leases provide for renewal terms. No lease payments were received in fiscal year 2017, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal.

During fiscal year 2014 and 2017, three existing industries conveyed property to the IDB, and the Board leased the property back to the industries under prepaid capital leases. Remaining payments under the leases consist solely of payments due under the bargain-purchase options, which are minimal, and no payments were received in fiscal year 2017. The leases expire in 2019, 2024 and 2028.

- 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, 2017 are as follows:

Total minimum lease payments to be received	\$ 5,960,320
Less: unearned income	<u>(1,738,653)</u>
Net investment in capital lease	<u>\$ 4,221,667</u>

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

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2018	\$ 494,017
2019	494,017
2020	494,017
2021	494,017
2022	494,017
2023	405,899
2024	282,534
2025	282,534
2026	282,534
2027	282,534
Thereafter	<u>1,954,200</u>
Total	<u>\$ 5,960,320</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, three 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 2017 were \$167,283. As of September 30, 2017, all of the non-cancelable leases expire within one year. Future minimum rentals of \$5,334 are due under the non-cancelable leases in fiscal year 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

General Information about the Pension Plan

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

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

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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

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

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

As of September 30, 2016, membership consisted of:

Retired participants and beneficiaries	
currently receiving benefits	23,007
Terminated participants and beneficiaries entitled	
to benefits but not yet receiving benefits	1,155
Terminated participants entitled to a refund of contributions	6,654
Active participants	54,823
Post-DROP participants still in active service	<u>235</u>
	<u>85,874</u>

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the City's active employee contribution rate was 5.61 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 10.06 percent of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2017 was 10.94 percent of pensionable pay for Tier 1 employees, and 8.24 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 \$2,976,871 for the year ended September 30, 2017.

Total Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016, using standard roll-forward techniques as shown in the following table:

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

	Expected	Actual-2015 Valuation Assumptions	Actual-2016 Valuation Assumptions
(a) TPL as of September 30, 2015	\$ 91,101,813	\$ 92,055,705	\$ 95,577,640
(b) Discount rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 - September 30, 2016	2,263,221	2,263,221	2,275,523
(d) Transfers Among Employers:		137,570	137,570
(e) Actual Benefit Payments and Refunds for the period October 1, 2015 - September 30, 2016	<u>(4,737,008)</u>	<u>(4,737,008)</u>	<u>(4,737,008)</u>
(f) TPL as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$ 95,726,691</u>	<u>\$ 96,894,464</u>	<u>\$ 100,477,433</u>
(g) Difference between Expected and Actual		\$ 1,167,773	
(h) Less Liability Transferred for Immediate Recognition		<u>137,570</u>	
(i) Experience (Gain)/Loss = (g) - (h)		\$ 1,030,203	
(j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			\$ 3,582,969

Actuarial assumptions. The total pension liability in the September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25%-5.00%
Investment rate of return*	7.75%
* Net of pension plan investment expense, including inflation	

Mortality rates for ERS 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 at ages on and after age 78. 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 September 30, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based on the results of an actuarial experience study for the period October 1, 2010 to September 30, 2015.

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:

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

<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, 2015	<u>\$ 91,101,813</u>	<u>\$ 58,194,972</u>	<u>\$ 32,906,841</u>
Changes for the year:			
Service cost	2,263,221	-	2,263,221
Interest	7,098,665	-	7,098,665
Changes of assumptions	3,582,969	-	3,582,969
Difference between expected and actual experience	1,030,203	-	1,030,203
Contributions - employer	-	2,934,254	(2,934,254)
Contributions - employee	-	1,597,131	(1,597,131)
Net investment income	-	5,923,189	(5,923,189)
Benefit payments, including refunds of employee contributions	(4,737,008)	(4,737,008)	-
Transfers among employers	137,570	137,570	-
Net changes	<u>9,375,620</u>	<u>5,855,136</u>	<u>3,520,484</u>
Balances at September 30, 2016	<u>\$ 100,477,433</u>	<u>\$ 64,050,108</u>	<u>\$ 36,427,325</u>

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 (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's net pension liability	\$ 49,156,116	\$ 36,427,325	\$ 25,803,356

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor’s report dated September 18, 2017 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, 2017, the City recognized pension expense of \$844,021. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 892,843	\$ 147,055
Change of assumptions	3,105,240	-
Net difference between projected and actual earnings on pension plan investments	513,803	-
Employer contributions subsequent to the measurement date	<u>2,870,677</u>	<u>-</u>
	<u>\$ 7,382,563</u>	<u>\$ 147,055</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:	
2018	\$ 706,440
2019	706,440
2020	1,118,555
2021	333,796
2022	587,857
Thereafter	<u>911,743</u>
	<u>\$ 4,364,831</u>

COMPONENT UNITS

Board of Education

Plan Description

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

Benefits Provided

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Contributions

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

Participating employers' contractually required contribution rate for the year ended September 30, 2017, was 12.01% of annual pay for Tier 1 members and 10.82% 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 \$5,160,838 for the year ended September 30, 2017.

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

At September 30, 2017, the Board reported a liability of \$70,253,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. 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, 2016, the Board's proportion was 0.648927%, which was an increase of 0.017093% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the Board recognized pension expense of \$8,283,487. At September 30, 2017, 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	\$ -	\$ 1,809,000
Changes of assumptions	4,960,000	-
Net difference between projected and actual earnings on pension plan investments	1,015,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,610,000	-
Employer contributions subsequent to the measurement date	<u>5,160,838</u>	<u>-</u>
	<u>\$ 14,745,838</u>	<u>\$ 1,809,000</u>

\$5,160,838 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Year ended September 30:	
2018	\$ 2,051,000
2019	2,051,000
2020	2,821,000
2021	519,000
2022	334,000
	<u>\$ 7,776,000</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2015, 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, including inflation

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an investigation of the economic and demographic experience for the TRS based on the results of an actuarial experience study for the period October 1, 2010 to September 30, 2015.

Mortality rates for TRS were based on 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 disability 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.

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, 2017

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	\$ 93,592,000	\$ 70,253,000	\$ 50,493,000

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, 2016. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2016. The auditor’s report dated March 1, 2017, 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, 2016, 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, 2017, AWWB’s active employee contribution rate was 2.97 percent of covered employee payroll, and AWWB’s average contribution rate to fund the normal and accrued liability costs was 4.33 percent of pensionable payroll.

The AWWB’s contractually required contribution rate for the year ended September 30, 2017 was 8.25 percent of pensionable pay for Tier 1 employees and 5.75 percent of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 \$100,331 for the year ended September 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

The AWWB's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	Actual-2015 Valuation <u>Assumptions</u>	Actual-2016 Valuation <u>Assumptions</u>
(a) TPL as of September 30, 2015	\$ 3,414,180	\$ 3,401,970	\$ 3,461,436
(b) Discount rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 - September 30, 2016	98,797	98,797	93,813
(d) Transfers Among Employers:	-	(57,986)	(57,986)
(e) Actual Benefit Payments and Refunds for the period October 1, 2015 - September 30, 2016	<u>(215,880)</u>	<u>(215,880)</u>	<u>(215,880)</u>
(f) TPL as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x(1+ 0.5*(b))]	<u>\$ 3,561,596</u>	<u>\$ 3,490,423</u>	<u>\$ 3,541,279</u>

Changes in Net Pension Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at September 30, 2015	\$ 3,414,180	\$ 2,632,711	\$ 781,469
Changes for the year:			
Service cost	98,797	-	98,797
Interest	264,499	-	264,499
Changes in assumptions	50,856	-	50,856
Differences between expected and actual experience	(13,187)	-	(13,187)
Contributions - employer	-	88,609	(88,609)
Contributions - employee	-	61,760	(61,760)
Net investment income	-	261,830	(261,830)
Benefit payments, including refunds of employee contributions	(215,880)	(215,880)	-
Transfers among employers	<u>(57,986)</u>	<u>(57,986)</u>	<u>-</u>
Net changes	<u>127,099</u>	<u>138,333</u>	<u>(11,234)</u>
Balances at September 30, 2016	<u>\$ 3,541,279</u>	<u>\$ 2,771,044</u>	<u>\$ 770,235</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:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate (7.75%)	1% Increase <u>(8.75%)</u>
Board's net pension liability	\$ 1,213,278	\$ 770,235	\$ 396,474

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, the AWWB recognized pension income of \$30,605. At September 30, 2017, 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	\$ -	\$ 229,074
Changes of assumptions	44,499	-
Net difference between projected and actual earnings on pension plan investments	22,812	-
Employer contributions subsequent to the measurement date	<u>95,617</u>	<u>-</u>
Total	<u>\$ 162,928</u>	<u>\$ 229,074</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:	
2018	\$ (27,311)
2019	(27,309)
2020	(7,825)
2021	(43,391)
2022	(32,162)
Thereafter	<u>(23,765)</u>
	<u>\$ (161,763)</u>

Housing Authority

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

For the year ended June 30, 2017, AHA's average contribution rate to fund the normal and accrued liability costs was 0.32 percent of covered employee payroll.

The AHA's contractually required contribution rate for the year ended June 30, 2017 was 0.37 percent of pensionable pay for Tier 1 employees, and 0.37 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from AHA were \$4,050 for the year ended June 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Total Pension Liability

The AHA's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	Actual-2015 Valuation <u>Assumptions</u>	Actual-2016 Valuation <u>Assumptions</u>
(a) TPL as of September 30, 2015	\$ 2,969,787	\$ 3,087,709	\$ 3,464,429
(b) Discount rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 - September 30, 2016	68,741	68,741	76,698
(d) Transfers Among Employers:		-	-
(e) Actual Benefit Payments and Refunds for the period October 1, 2015 - September 30, 2016	<u>(235,461)</u>	<u>(235,461)</u>	<u>(235,461)</u>
(f) TPL as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x(1+ 0.5*(b))]	<u>\$ 3,031,232</u>	<u>\$ 3,158,587</u>	<u>\$ 3,565,035</u>
(g) Difference between Expected and Actual		\$ 127,355	
(h) Less Liability Transferred for Immediate Recognition		<u>-</u>	
(i) Experience (Gain)/Loss = (g) - (h)		\$ 127,355	
(j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			\$ 406,448

Changes in Net Pension Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at September 30, 2015	<u>\$ 2,969,787</u>	<u>\$ 12,925,854</u>	<u>\$ (9,956,067)</u>
Changes for the year:			
Service cost	68,741	-	68,741
Interest	228,165	-	228,165
Changes of assumptions	406,448	-	406,448
Difference between expected and actual experience	127,355	-	127,355
Contributions - employer	-	4,100	(4,100)
Contributions - employee	-	48,041	(48,041)
Net investment income	-	1,307,051	(1,307,051)
Benefit payments, including refunds of employee contributions	(235,461)	(235,461)	-
Transfers among employers	<u>-</u>	<u>-</u>	<u>-</u>
Net changes	<u>595,248</u>	<u>1,123,731</u>	<u>(528,483)</u>
Balances at September 30, 2016	<u>\$ 3,565,035</u>	<u>\$ 14,049,585</u>	<u>\$ (10,484,550)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

The following table presents AHA’s net pension liability calculated using the discount rate of 7.75%, as well as what AHA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (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%)
Authority's net pension liability (asset)	\$ (10,138,601)	\$ (10,484,550)	\$ (10,781,313)

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

For the year ended June 30, 2017, the Authority recognized pension income of \$640,298. At June 30, 2017, the AHA reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,778	\$ -
Change of assumptions	323,499	-
Net difference between projected and actual earnings on pension plan investments	117,689	-
Employer contributions subsequent to the measurement date	2,577	-
	<u>\$ 552,543</u>	<u>\$ -</u>

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

Year ended June 30:

2018	\$ 137,573
2019	137,572
2020	232,378
2021	42,443
2022	-
Thereafter	-
	<u>\$ 549,966</u>

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS

CITY OF AUBURN PRIMARY GOVERNMENT

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Plan description

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

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

Funding policy

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

Annual required contribution

The City's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 45) has been used for the postemployment benefits. The total ARC for the years ended September 30, 2017, are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal cost as of beginning of year	\$ 124,348	\$ 100,932	\$ 112,575
Amortization of the unfunded AAL (UAAL) for 30 years	<u>159,224</u>	<u>121,563</u>	<u>134,309</u>
Total normal cost and amortization payment	283,572	222,495	246,884
Interest to end of year	<u>11,343</u>	<u>8,900</u>	<u>9,875</u>
Annual required contribution (ARC)	<u>\$ 294,915</u>	<u>\$ 231,395</u>	<u>\$ 256,759</u>
Percent of Annual Covered Payroll	1.05%	0.92%	1.05%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUEDNet postemployment benefit obligation

The table below shows the City's net other postemployment benefit (OPEB) obligation at September 30, 2017:

	2017	2016	2015
Annual required contribution (ARC)	\$ 294,915	\$ 231,395	\$ 256,759
Interest on net OPEB obligation (NOO) to end of year	34,347	28,973	22,216
NOO amortization adjustment to the ARC	<u>(49,657)</u>	<u>(41,888)</u>	<u>(32,118)</u>
Annual OPEB cost	279,605	218,480	246,857
Actual annual employer contribution - pay-go cost	<u>(96,015)</u>	<u>(84,151)</u>	<u>(77,918)</u>
Change in net OPEB obligation	183,590	134,329	168,939
Beginning net OPEB obligation	<u>858,664</u>	<u>724,335</u>	<u>555,396</u>
Ending net OPEB obligation	<u>\$ 1,042,254</u>	<u>\$ 858,664</u>	<u>\$ 724,335</u>
Percentage of annual OPEB cost contributed	34.3%	38.5%	31.6%
Ending net OPEB obligation by employer			
City of Auburn General Fund	\$ 903,749	\$ 723,273	\$ 610,774
Sewer Revenue Fund of City of Auburn	45,014	35,629	32,227
Solid Waste Management Fund of City of Auburn	53,671	55,225	46,038
Water Works Board of City of Auburn	<u>39,820</u>	<u>44,537</u>	<u>35,296</u>
Total	<u>\$ 1,042,254</u>	<u>\$ 858,664</u>	<u>\$ 724,335</u>

Funded status and funding progress

In the fiscal year ending September 30, 2017, the City contributed \$96,015 to its postemployment benefits plan. This represents 34.3% of the annual OPEB cost. The plan has no assets and therefore has a funded ratio of zero. As of September 30, 2016, the most recent actuarial valuation, the actuarial accrued liability was \$2,863,434 which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of postemployment plan benefits and expenses which is not provided for by the future normal cost. Since the plan has no assets, the entire actuarial accrued liability was unfunded. The schedule of funding progress is included in the table below.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered P/R ((b - a)/c)
9/30/2014	\$ -	\$ 2,415,369	\$ 2,415,369	0%	\$ 24,400,268	9.9%
9/30/2015	-	2,186,158	2,186,158	0%	25,132,276	8.7%
9/30/2016	-	2,863,434	2,863,434	0%	28,100,312	10.2%

Actuarial methods and assumptions

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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

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

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

In the September 30, 2016, actuarial valuation, the liabilities were computed using the projected unit credit cost method with linear proration to decrement and level dollar amortization over 30 years based on an open group. The actuarial assumptions utilized a 4% discount rate and a 3% inflation rate. The expected rate of increase in medical cost is based on the plans actual experience initially with subsequent years based on a combination of employer history, national trend surveys, and professional judgment. The valuation assumes an 8% healthcare cost trend increase for fiscal year 2018, graded down to an ultimate annual rate of 5% for 2024 and later.

COMPONENT UNITS

Board of Education

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

Code of Alabama 1975, Section 16-25A-8 provides the PEEHIB explicit authority to set the contribution requirements for plan members and employers. Retirees eligible for Medicare benefits must pay \$25 per month for coverage while those not eligible for Medicare must pay \$166 per month for coverage. The employer's share of premiums for retired ABOE employee's health insurance is included as part of the premium for active employees and is funded on a pay-as-you-go basis. The fiscal year 2017 rate paid by the ABOE was \$800 per active participant per month; \$153, or approximately 19.07% of the allocation for active participants, represents the required contribution for retirees. This required contribution rate is determined annually by the State Legislature. The estimated portion of health insurance premiums paid by the ABOE for retired employees for fiscal years ending September 30, 2017 and 2016 were approximately \$1,741,784 and \$2,384,463, respectively, equal to its required contributions each year. The estimated portion of payments made on behalf of the ABOE for retiree drug subsidy payments for fiscal years ending September 30, 2017 and 2016 were approximately \$466,070 and \$531,896, respectively. The ABOE has no responsibility for the payment of health care benefits, beyond the payment of the premium, for retired employees. The requirements of GASB Statement No. 45 were implemented prospectively beginning at October 1, 2008.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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>2017</u>	<u>2016</u>
Unpaid claims, beginning of year	<u>\$ 21,976</u>	<u>\$ 41,323</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	110,698	28,967
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>4,021</u>	<u>4,018</u>
Total incurred claims	<u>114,719</u>	<u>32,985</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(26,130)	(25,849)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(6,460)</u>	<u>(26,483)</u>
Total payments	<u>(32,590)</u>	<u>(52,332)</u>
Unpaid claims, end of year	<u>\$ 104,105</u>	<u>\$ 21,976</u>

Total liability for uninsured workmen's compensation claims at September 30, 2017, is recorded as follows: \$20,330 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$83,775, along with the estimated liability for insured risks of \$134,390, 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, 2017

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:

	<u>Fiscal Year</u>	
	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning of year	<u>\$ 169,008</u>	<u>\$ 191,160</u>
Incurring claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	3,536,417	3,350,301
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>16,365</u>	<u>13,678</u>
Total incurred claims	<u>3,552,782</u>	<u>3,363,979</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(3,403,098)	(3,181,293)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(185,372)</u>	<u>(204,838)</u>
Total payments	<u>(3,588,470)</u>	<u>(3,386,131)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 133,320</u>	<u>\$ 169,008</u>

The unpaid claims as of September 30, 2017, 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, 2017, by the State (\$6,095) 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, 2017:

<u>Funds</u>	<u>Millage</u>	<u>Taxes Collected</u>	<u>Collection Fee</u>	<u>Reappraisal Costs</u>	<u>Net Received by the City</u>
General Fund	5	\$ 4,446,841 *	\$ 101,172	\$ 64,762	\$ 4,280,907
Special 5-Mill Tax Fund	5	4,438,499 **	101,172	64,762	4,272,565
Special School Tax Fund	<u>16</u>	<u>15,410,797</u>	<u>353,940</u>	<u>224,715</u>	<u>14,832,142</u>
Property tax totals	<u>26</u>	<u>\$ 24,296,137</u>	<u>\$ 556,284</u>	<u>\$ 354,239</u>	<u>\$ 23,385,614</u>

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

** Reduced by industrial tax exemptions.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2017 consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
\$ 61,471	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, 2017:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 421,250	\$ 202,017
Special School Tax Fund	-	-
Federal Grant Loan Repayment Fund	-	82,790
Nonmajor Governmental Funds	<u>264,162</u>	<u>290,000</u>
Total governmental activities	<u>685,412</u>	<u>574,807</u>
Major Proprietary Fund		
Sewer Revenue Fund	15,982	76,250
Nonmajor proprietary fund	<u>4,663</u>	<u>55,000</u>
Total business-type activities	<u>20,645</u>	<u>131,250</u>
Total primary government	<u>\$ 706,057</u>	<u>\$ 706,057</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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	\$ -	\$ 1,921,869
Water Works Board	443,111	136,580
Primary Government		
General Fund	14,425	388,795
Special School Tax Fund	1,921,869	-
Sewer Revenue Fund	94,998	54,316
Nonmajor proprietary fund	<u>27,157</u>	<u>-</u>
Total	<u>\$ 2,501,560</u>	<u>\$ 2,501,560</u>

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

B. Long-term advances

	<u>Advances To</u>	<u>Advances From</u>
Primary Government		
Federal Grant Loan Repayment Fund	\$ 1,050,000	\$ -
Component Units		
Housing Authority	<u>-</u>	<u>1,125,000</u>
Total	<u>\$ 1,050,000</u>	<u>\$ 1,125,000</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 21. INTRA-ENTITY TRANSACTIONS - CONTINUED

C. Payments between the City and Component Units

	Appropriations <u>To</u>	Payments <u>From</u>
Primary Government		
General Fund	\$ -	\$ 14,871,298
Special School Tax Fund	-	34,322,416
Nonmajor governmental funds	-	505,035
Component Units		
Auburn City Board of Education	47,497,039	-
Industrial Development Board	2,000,035	-
Public Parks and Recreation Board	<u>201,675</u>	<u>-</u>
Total	<u>\$ 49,698,749</u>	<u>\$ 49,698,749</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 \$47,497,039 to the Board of Education during the year, \$47,407,625 of which is reported as unrestricted appropriations from the City with the balance of \$89,414 reported as unearned revenue related to retainage payable on construction contracts.

The City appropriated \$820,000 to the Industrial Development Board for various operating purposes, including industrial recruitment, commercial development, workforce development, and other general operating expenses. Additionally, the City appropriated \$1,180,035 for improvements to the Auburn Technology Park West. That amount is included in capital contributions in the statement of revenues, expenses and changes in net position.

In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to the ABOE. The debt payments (including bond trustee fees) paid on behalf of the Board of Education are reflected on the City's books as debt service expenditures and amounted to \$9,771,824.

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, 2017

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	\$ 66,821	\$ 39,033	\$ 117,393	\$ 1,352	\$ 467	\$ -	\$ 225,066
Investments	-	-	-	-	-	873,776	873,776
Receivables, net	-	-	-	-	-	11,569	11,569
Mortgages receivable	51,222	-	101,421	987,735	501,400	727,780	2,369,558
Advance to component units	-	-	-	-	-	1,050,000	1,050,000
Restricted cash	-	-	-	-	-	99,998	99,998
Total assets	\$ 118,043	\$ 39,033	\$ 218,814	\$ 989,087	\$ 501,867	\$ 2,763,123	\$ 4,629,967
Liabilities and Fund Balance							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203	\$ 203
Unearned revenues	51,672	-	101,470	987,735	501,400	1,774,428	3,416,705
Total liabilities	51,672	-	101,470	987,735	501,400	1,774,631	3,416,908
Fund balance:							
Restricted - social & economic	66,371	39,033	117,344	1,352	467	988,492	1,213,059
Total liabilities and fund balance	\$ 118,043	\$ 39,033	\$ 218,814	\$ 989,087	\$ 501,867	\$ 2,763,123	\$ 4,629,967
Revenues							
Program income	\$ 25,314	\$ -	\$ 90,057	\$ 18,256	\$ 53,157	\$ 175,969	\$ 362,753
Miscellaneous	-	-	81	3	312	-	396
Interest	612	121	4,740	409	12,469	62,060	80,411
Total revenues	25,926	121	94,878	18,668	65,938	238,029	443,560
Expenditures							
Economic development	-	13,200	8,057	-	-	981	22,238
Debt service - interest	-	-	-	-	-	80,709	80,709
Debt service - principal	-	-	-	-	-	178,000	178,000
Total expenditures	-	13,200	8,057	-	-	259,690	280,947
Excess (deficiency) of revenues over expenditures	25,926	(13,079)	86,821	18,668	65,938	(21,661)	162,613
Other financing sources (uses)							
Transfers out	-	-	-	(17,316)	(65,474)	-	(82,790)
Total other financing sources (uses)	-	-	-	(17,316)	(65,474)	-	(82,790)
Net changes in fund balance	25,926	(13,079)	86,821	1,352	464	(21,661)	79,823
Fund balance, beginning of year	40,445	52,112	30,523	-	3	1,010,153	1,133,236
Fund balance, end of year	\$ 66,371	\$ 39,033	\$ 117,344	\$ 1,352	\$ 467	\$ 988,492	\$ 1,213,059

* Net of interfund eliminations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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	\$ 86,493	\$ 129,794	\$ 216,287
Liabilities and fund balance			
Accounts payable and accrued liabilities	\$ -	\$ 1,799	\$ 1,799
Unearned revenue	-	62,544	62,544
Total liabilities	-	64,343	64,343
Fund balance			
Restricted - law enforcement	86,493	65,451	151,944
Total liabilities and fund balance	\$ 86,493	\$ 129,794	\$ 216,287
Revenues			
Contributions from the public	\$ 13,409	\$ 15,436	\$ 28,845
Interest	194	311	505
Total revenues	13,603	15,747	29,350
Expenditures			
Public safety	7,538	15,747	23,285
Capital outlay	14,120	-	14,120
Total expenditures	21,658	15,747	37,405
Excess (deficiency) of revenues over expenditures	(8,055)	-	(8,055)
Other financing sources (uses)			
Sale of surplus assets	10,511	-	10,511
Total other financing sources (uses)	10,511	-	10,511
Net changes in fund balances	2,456	-	2,456
Fund balance, beginning of year	84,037	65,451	149,488
Fund balance, end of year	\$ 86,493	\$ 65,451	\$ 151,944

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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	\$ 18,757,539	\$ 1,240,383	\$ 2,448,311	\$ 1,815,674	\$ 24,261,907
Investments	15,888,431	-	-	-	15,888,431
Receivables, net	9,635,127	1,166,255	26,540	-	10,827,922
Due from other funds	61,471	-	-	-	61,471
Due from component units	375,964	-	12,831	-	388,795
Inventories	228,953	-	-	-	228,953
Prepaid items	54,356	-	-	-	54,356
Advances to other agencies	101,040	-	-	-	101,040
Restricted cash	305,255	-	-	-	305,255
Property for resale	<u>4,131,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,131,127</u>
Total assets	<u>\$ 49,539,263</u>	<u>\$ 2,406,638</u>	<u>\$ 2,487,682</u>	<u>\$ 1,815,674</u>	<u>\$ 56,249,257</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 3,683,939	\$ 17,700	\$ 39,998	\$ -	\$ 3,741,637
Payables to other governments	929,337	-	-	-	929,337
Due to component units	14,425	-	-	-	14,425
Customer deposits	251,446	-	-	-	251,446
Claims payable	-	-	133,319	94,720	228,039
Unearned revenue	<u>999,530</u>	<u>2,395,214</u>	<u>-</u>	<u>-</u>	<u>3,394,744</u>
Total liabilities	<u>5,878,677</u>	<u>2,412,914</u>	<u>173,317</u>	<u>94,720</u>	<u>8,559,628</u>
Fund balances					
Nonspendable					
Investments	2,438,562	-	-	-	2,438,562
Inventories	228,953	-	-	-	228,953
Prepaid items	54,356	-	-	-	54,356
Advances	101,040	-	-	-	101,040
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Law enforcement	305,255	-	-	-	305,255
Assigned					
Social and economic	350,482	-	-	-	350,482
General	8,206,739	-	-	-	8,206,739
Unassigned	<u>29,450,017</u>	<u>(513,163)</u>	<u>1,410,679</u>	<u>1,525,582</u>	<u>31,873,115</u>
Total fund balances	<u>45,266,531</u>	<u>(513,163)</u>	<u>1,410,679</u>	<u>1,525,582</u>	<u>47,689,629</u>
Total liabilities and fund balances	<u>\$ 51,145,208</u>	<u>\$ 1,899,751</u>	<u>\$ 1,583,996</u>	<u>\$ 1,620,302</u>	<u>\$ 56,249,257</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues					
Sales and use taxes	\$ 39,648,005	\$ -	\$ -	\$ -	\$ 39,648,005
Occupational license fees	12,068,066	-	-	-	12,068,066
Motor fuel taxes	760,817	-	-	-	760,817
Lodging taxes	2,355,985	-	-	-	2,355,985
Rental and leasing taxes	890,599	-	-	-	890,599
Other taxes	281,809	-	-	-	281,809
Licenses and permits	12,893,642	-	-	-	12,893,642
General property tax	5,338,089	-	-	-	5,338,089
Charges for services	6,955,683	-	945,484	-	7,901,167
Fines and forfeitures	995,301	-	-	-	995,301
State shared taxes	1,232,377	-	-	-	1,232,377
Contributions from the public	1,462,275	750,104	-	-	2,212,379
Interest	219,937	20,139	8,418	7,323	255,817
Miscellaneous	47,357	-	-	-	47,357
Total revenues	<u>85,149,942</u>	<u>770,243</u>	<u>953,902</u>	<u>7,323</u>	<u>86,881,410</u>
Expenditures					
General government and administration	6,417,803	-	-	-	6,417,803
Public works	4,156,187	258,633	-	-	4,414,820
Environmental services	2,233,367	-	-	-	2,233,367
Public safety	20,328,308	-	-	-	20,328,308
Library	1,786,284	-	-	-	1,786,284
Parks and recreation	5,691,376	-	-	-	5,691,376
Planning	765,579	-	-	-	765,579
Economic development	1,152,893	-	-	-	1,152,893
Employee services	938,072	-	1,316,601	-	2,254,673
Risk management	157,210	-	-	142,206	299,416
Total departmental	43,627,079	258,633	1,316,601	142,206	45,344,519
Non-departmental	2,071,381	-	-	-	2,071,381
Debt service:					
Administrative charges	2,233	-	-	-	2,233
Interest	1,131,494	20,413	-	-	1,151,907
Principal retirement	6,003,577	182,910	-	-	6,186,487
Capital outlay	17,247,832	815,446	10,046	-	18,073,324
Intergovernmental	1,239,818	-	-	-	1,239,818
Payments to component units	14,871,298	-	-	-	14,871,298
Total expenditures	<u>86,194,712</u>	<u>1,277,402</u>	<u>1,326,647</u>	<u>142,206</u>	<u>88,940,967</u>
Excess (deficiency) of revenues over expenditures	<u>(1,044,770)</u>	<u>(507,159)</u>	<u>(372,745)</u>	<u>(134,883)</u>	<u>(2,059,557)</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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	135,159	-	-	-	135,159
Transfers in	361,250	-	-	60,000	421,250
Transfers out	<u>(202,018)</u>	-	-	-	<u>(202,018)</u>
Total other financing sources (uses)	<u>294,391</u>	-	-	<u>60,000</u>	<u>354,391</u>
Net changes in fund balances	(750,379)	(507,159)	(372,745)	(74,883)	(1,705,166)
Fund balances, beginning of year	<u>46,026,954</u>	<u>(6,002)</u>	<u>1,773,378</u>	<u>1,600,465</u>	<u>49,394,795</u>
Fund balances, end of year	<u>\$ 45,276,575</u>	<u>\$ (513,161)</u>	<u>\$ 1,400,633</u>	<u>\$ 1,525,582</u>	<u>\$ 47,689,629</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 \$6,959,178 as of September 30, 2017.

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 2017, the City paid Veolia \$1,655,047 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
2018	\$ 359,214
2019	361,630
2020	357,512
2021	357,858
2022	358,835
2023	356,706
2024	357,875
2025	<u>358,818</u>
Total	<u>\$ 2,868,448</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, the City was not named defendant in any pending lawsuits.

In fiscal year 2017, the City expended \$86,959 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 two remaining commitments on uncompleted contracts for the construction of an elementary school and a new high school, 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	\$ 16,043,564	\$ 1,963,669	\$ 14,079,895
New High School	<u>74,118,240</u>	<u>74,038,194</u>	<u>80,046</u>
Total	<u>\$ 90,161,804</u>	<u>\$ 76,001,863</u>	<u>\$ 14,159,941</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 \$96,969 for the fiscal year ended September 30, 2017.

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 100,089
2019	77,336
2020	<u>56,711</u>
Total	<u>\$ 234,136</u>

The ABOE entered into lease agreements with Key Government Finance for the purchase of network equipment. These agreements qualified as capital leases for accounting purposes and were recorded at the present value of the future minimum lease payments as of the date of inception. Interest expense for the year ended September 30, 2017, was \$574. The Key Government Finance capital lease payable was paid in full during the year ended September 30, 2017, and the network equipment was reclassified to capital assets.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

The following is a summary of changes in obligations under capital leases of the ABOE for the year ended September 30, 2017:

	Capital Lease Payable
Balance, September 30, 2016	\$ 39,331
Retirement of debt	<u>(39,331)</u>
Balance, September 30, 2017	<u>\$ -</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 \$1,643,406 as of September 30, 2017.

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 \$.55 per 1,000 gallons (\$115,632) for the year ended September 30, 2017. The term of the agreement is twenty years, with six five-year extension options. Total water pumped in the 2017 fiscal year was 429,607 thousand gallons with a total annual payment of \$236,283.

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, 2017, the IDB was committed under certain construction contracts in the approximate amount of \$640,000. 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 \$74,000 of these incentives were paid by the IDB.

During fiscal year 2017, the IDB approved a capital lease in the principal amount of \$2.7 million for the deemed sale of land and buildings held for leasing. As of the date of these financial statements, the lease had not been executed.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

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.

Auburn Housing Authority

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

NOTE 26. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Post closure care costs are paid only after the date that the landfill stops accepting waste; the City reports these post closure care costs in governmental activities' long-term debt and other liabilities. There were no expenditures for landfill closure and post closure care during fiscal year 2017. The \$126,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2017, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2017. 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 \$750,313 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 \$20,954 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.

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 \$186,176 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 27. TAX ABATEMENTS-- CONTINUED

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, \$802,426 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 \$1,846,848. The agreement expires in 2039.

NOTE 28. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

The City has evaluated subsequent events through March 19, 2018, the date these financial statements were available to be issued.

Subsequent to September 30, 2017, the City Council approved various design and construction contracts totaling approximately \$32,227,000, professional services type contracts totaling approximately \$1,074,000, and equipment and computer software purchases totaling approximately \$3,850,000.

On December 19, 2017, the City Council approved the purchase of the Baptist Student Union property from the Alabama Baptist State Convention for \$2,330,000 to be used for a new municipal parking deck. \$1,100,000 of the sales proceeds will be held in escrow for rebuilding the Student Union facility on another site per a development agreement between the City of Auburn, the Alabama Baptist State Convention and the State Board of Missions of the Alabama Baptist State Convention.

On February 6, 2018, the City Council approved the Housing Authority of the City of Auburn's prepayment of \$1,050,000 on its note payable to the City that was funded through the Department of Housing and Urban Development Section 108 loan program.

COMPONENT UNITS

Board of Education

On December 12, 2017, the Board approved bids by Transportation South in the amounts of \$92,609 each for the purchase of one or more 54-passenger special needs buses, and \$87,400 each for three or more 78-passenger buses.

On January 9, 2018, the Board approved a bid of \$540,000 by Gordy Construction Company to perform work associated with the sanitary sewer and lift station at Creekside Elementary School.

Subsequent to year end, the Board created a private purpose trust fund to account for two endowments received for scholarships to benefit Auburn City School students.

Water Works Board

Subsequent to September 30, 2017, the Board approved construction contracts totaling approximately \$660,000, equipment purchases totaling approximately \$91,000 and professional services contracts totaling approximately \$225,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 28. SUBSEQUENT EVENTS– CONTINUED

Industrial Development Board

The Board approved two construction contracts subsequent to September 30, 2017, totaling approximately \$250,000. The contracts were for improvements to buildings owned by the Board and held for leasing.

Subsequent to September 30, 2017, the Board authorized the purchase of a building located in the Auburn Industrial Park. The approved purchase price was not to exceed \$950,000, and authorization was given to acquire bank financing for the purchase. As of the date of these financial statements, negotiations were underway, but the purchase had not been completed and no funds had been borrowed.

Subsequent to September 30, 2017, the Board sold one of its buildings held for leasing to a current tenant for \$3.17 million, and executed a prepaid capital lease for the land.



City of Auburn

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, 2017

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Final Budget - Favorable (Unfavorable)
	\$	\$	\$	\$
Revenues				
Sales and use taxes	40,112,800	41,250,000	39,648,007	(1,601,993)
Occupational license fees	11,220,000	11,400,000	12,068,066	668,066
Motor fuel taxes	790,400	760,000	760,818	818
Lodging taxes	1,905,500	2,400,000	2,355,985	(44,015)
Rental and leasing taxes	715,000	815,000	890,599	75,599
Other taxes	259,570	278,000	281,809	3,809
Licenses and permits	11,723,500	12,373,000	12,893,642	520,642
General property taxes	5,039,250	5,200,000	5,338,089	138,089
Charges for services	8,093,232	8,842,333	7,901,167	(941,166)
Fines and forfeitures	1,091,000	1,031,000	995,301	(35,699)
State shared taxes	865,000	1,075,000	1,232,377	157,377
Contributions from the public	1,366,978	2,616,174	2,212,379	(403,795)
Interest	217,449	267,010	255,818	(11,192)
Miscellaneous	9,000	14,000	47,357	33,357
Total revenues	<u>83,408,679</u>	<u>88,321,517</u>	<u>86,881,414</u>	<u>(1,440,103)</u>
Expenditures				
City Council	190,776	190,776	159,739	31,037
Office of City Manager	937,519	955,024	828,380	126,644
Judicial	824,947	839,239	783,709	55,530
Information Technology	1,842,061	1,847,110	1,728,485	118,625
Finance	1,633,632	1,649,300	1,516,703	132,597
Economic development	1,183,315	1,188,280	1,152,893	35,387
Employee services	3,472,678	3,504,226	2,554,089	950,137
Public safety	21,707,305	22,010,085	20,328,307	1,681,778
Public works	4,943,995	5,109,823	4,414,820	695,003
Environmental services	2,506,690	2,628,574	2,233,367	395,207
Library	1,754,369	1,803,941	1,786,284	17,657
Parks and recreation	6,064,719	6,098,307	5,691,376	406,931
Planning	901,937	938,827	765,579	173,248
Total departmental	<u>47,963,943</u>	<u>48,763,512</u>	<u>43,943,731</u>	<u>4,819,781</u>
Non-departmental	4,570,708	4,444,007	3,472,169	971,838
Debt service:				
Administrative charges	2,200	2,200	2,233	(33)
Interest	1,151,546	1,151,546	1,151,907	(361)
Principal retirement	6,186,487	6,186,487	6,186,487	-
Capital outlay	9,653,541	24,243,763	18,073,325	6,170,438
Intergovernmental	1,177,818	1,263,418	1,239,818	23,600
Payments to component units	13,590,250	14,854,976	14,871,298	(16,322)
Total expenditures	<u>84,296,493</u>	<u>100,909,909</u>	<u>88,940,968</u>	<u>11,968,941</u>
Excess (deficiency) of revenues over expenditures	<u>(887,814)</u>	<u>(12,588,392)</u>	<u>(2,059,554)</u>	<u>10,528,838</u>
Other financing sources (uses)				
Sale of surplus assets	60,000	60,000	135,159	75,159
Transfers in	1,436,250	2,158,760	421,250	(1,737,510)
Transfers out	(1,015,000)	(1,918,883)	(202,018)	1,716,865
Total other financing sources (uses)	<u>481,250</u>	<u>299,877</u>	<u>354,391</u>	<u>54,514</u>
Net changes in fund balances	(406,564)	(12,288,515)	(1,705,163)	10,583,352
Fund balances, beginning of year	49,394,795	49,394,795	49,394,795	-
Fund balances, end of year	<u>48,988,231</u>	<u>37,106,280</u>	<u>47,689,631</u>	<u>10,583,352</u>

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

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

⁽¹⁾Employer's covered payroll during the measurement period is the total covered payroll. For FY2017, the measurement period is October 1, 2015 to September 30, 2016.

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

CITY OF AUBURN, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$
Actuarially determined contributions	2,854,621	2,818,007	2,704,775
Actual employer contributions	2,854,621	2,818,007	2,704,775
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll ⁽¹⁾	28,547,194	27,235,213	25,894,222
Contributions as a percentage of covered-employee payroll	10.00%	10.35%	10.45%

⁽¹⁾Employer's covered payroll for FY2017 is the total covered payroll for the 12 month period of the underlying financial statement.

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

Notes to Schedule:

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 2017 were based on the September 30, 2014 actuarial valuation.

The following methods and assumptions used to determine contribution rates:

Actuarial cost method: entry age

Amortization method: level percent closed

Remaining amortization period: 28 years

Asset valuation method: five year smoothed market

Inflation: 3.00%

Salary increases: 3.75 - 7.25%, including inflation

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

Debt Service Funds

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

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

Capital Projects Funds

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

West Tech Park Phase II Fund accounts for the revenue and expenditure of bonds issued by the City for the expansion of Auburn Technology Park West and other infrastructure projects.

**CITY OF AUBURN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Special 5-Mill Tax Fund	West Tech Park Phase II Fund		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
ASSETS										
Cash and cash equivalents	30,295	34,082	836,875	216,287	165,261	-	1,282,800	4,672,369	1,127,908	7,083,077
Receivables, net	14,491	11,394	31,398	-	47,785	141,939	247,007	45,038	-	292,045
Prepaid items	-	-	-	-	1,414	-	1,414	-	-	1,414
Total assets	44,786	45,476	868,273	216,287	214,460	141,939	1,531,221	4,717,407	1,127,908	7,376,536
LIABILITIES										
Accounts payable and accrued liabilities	-	-	22,265	1,799	-	80,468	104,532	-	-	104,532
Due to other funds	-	-	-	-	-	61,471	61,471	-	-	61,471
Unearned revenue	-	-	-	62,544	303	-	62,847	-	-	62,847
Total liabilities	-	-	22,265	64,343	303	141,939	228,850	-	-	228,850
Restricted										
Roads, bridges and streets	44,786	45,476	-	-	-	-	90,262	-	-	90,262
Law enforcement	-	-	846,008	151,944	-	-	997,952	-	-	997,952
General grants	-	-	-	-	214,157	-	214,157	-	-	214,157
Capital projects	-	-	-	-	-	-	-	-	1,127,908	1,127,908
Debt service	-	-	-	-	-	-	-	4,717,407	-	4,717,407
Total fund balances	44,786	45,476	846,008	151,944	214,157	-	1,302,371	4,717,407	1,127,908	7,147,686
Total liabilities and fund balances	44,786	45,476	868,273	216,287	214,460	141,939	1,531,221	4,717,407	1,127,908	7,376,536

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Special 5-Mill Tax Fund	West Tech Park Phase II Fund	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
General property taxes	-	-	-	-	-	-	4,438,499	-	4,438,499
State shared taxes	158,885	124,297	-	-	-	283,182	-	-	283,182
Fines and forfeitures	-	-	145,060	-	-	145,060	-	-	145,060
Contributions from the public	-	-	-	28,845	-	28,845	-	-	28,845
Grants	-	-	-	-	2,457,145	1,080,561	-	-	3,537,706
Interest	99	110	1,954	505	-	2,668	11,701	3,214	17,583
Total revenues	158,984	124,407	147,014	29,350	2,457,145	1,080,561	4,450,200	3,214	8,450,875
Expenditures									
General government and administration	-	-	6,339	-	-	-	-	-	6,339
Public safety	-	-	-	23,285	68,914	-	-	-	92,199
Library	-	-	-	-	9,675	-	-	-	9,675
Parks and recreation	-	-	-	-	2,488	-	-	-	2,488
Economic development	-	-	-	-	-	327,011	-	-	327,011
Total departmental	-	-	6,339	23,285	81,077	327,011	-	-	437,712
Non-departmental	-	-	-	-	-	-	165,939	-	165,939
Debt service:									
Interest	-	-	-	-	-	-	3,342,302	-	3,342,302
Administrative charges	-	-	-	-	-	-	806	-	806
Capital outlay	-	-	-	14,120	2,334,268	836,340	-	-	3,184,728
Intergovernmental	-	-	-	-	18,639	-	-	-	18,639
Payments to component units	-	-	-	-	-	-	-	505,035	505,035
Total expenditures	-	-	6,339	37,405	2,433,984	1,163,351	3,509,047	505,035	7,655,161
Excess (deficiency) of revenues over expenditures	158,984	124,407	140,675	(8,055)	23,161	(82,790)	941,153	(501,821)	795,714
Other financing sources (uses)									
Sale of surplus assets	-	-	-	10,511	-	-	-	-	10,511
Transfers in	-	-	-	-	-	82,790	-	181,372	264,162
Transfers out	(160,000)	(130,000)	-	-	-	-	-	-	(290,000)
Total other financing sources (uses)	(160,000)	(130,000)	-	10,511	-	82,790	-	181,372	(15,327)
Net changes in fund balances	(1,016)	(5,593)	140,675	2,456	23,161	-	941,153	(320,449)	780,387
Fund balances, beginning of year	45,802	51,069	705,333	149,488	190,995	-	3,776,254	1,448,357	6,367,299
Fund balances, end of year	44,786	45,476	846,008	151,944	214,157	-	4,717,407	1,127,908	7,147,686

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	153,500	153,500	158,885	5,385
Interest	160	160	99	(61)
Total revenues	153,660	153,660	158,984	5,324
Other financing uses				
Transfers out	(160,000)	(160,000)	(160,000)	-
Net changes in fund balances	(6,340)	(6,340)	(1,016)	5,324
Fund balances, beginning of year	45,802	45,802	45,802	-
Fund balances, end of year	39,462	39,462	44,786	5,324

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
State shared taxes	120,000	120,000	124,297	4,297
Interest	185	185	110	(75)
Total revenues	120,185	120,185	124,407	4,222
Other financing uses				
Transfers out	(130,000)	(130,000)	(130,000)	-
Net changes in fund balances	(9,815)	(9,815)	(5,593)	4,222
Fund balances, beginning of year	51,069	51,069	51,069	-
Fund balances, end of year	41,254	41,254	45,476	4,222

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Contributions from the public	115,228	54,650	28,845	(25,805)
Interest	700	700	505	(195)
Total revenues	<u>115,928</u>	<u>55,350</u>	<u>29,350</u>	<u>(26,000)</u>
Expenditures				
Public safety	60,578	3,425	23,285	(19,860)
Capital outlay	59,000	14,000	14,120	(120)
Total expenditures	<u>119,578</u>	<u>17,425</u>	<u>37,405</u>	<u>(19,980)</u>
Excess (deficiency) of revenues over expenditur	(3,650)	37,925	(8,055)	(45,980)
Other financing sources				
Sale of surplus assets	<u>2,500</u>	<u>7,500</u>	<u>10,511</u>	<u>3,011</u>
Net changes in fund balances	(1,150)	45,425	2,456	(42,969)
Fund balances, beginning of year	<u>149,488</u>	<u>149,488</u>	<u>149,488</u>	<u>-</u>
Fund balances, end of year	<u><u>148,338</u></u>	<u><u>194,913</u></u>	<u><u>151,944</u></u>	<u><u>(42,969)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	4,339,250	4,440,035	4,438,499	(1,536)
Interest	18,000	18,000	11,701	(6,299)
Total revenues	<u>4,357,250</u>	<u>4,458,035</u>	<u>4,450,200</u>	<u>(7,835)</u>
Expenditures				
Non-departmental	157,500	167,120	165,939	1,181
Debt service:				
Interest	3,342,306	3,342,306	3,342,302	4
Administrative charges	550	550	806	(256)
Total expenditures	<u>3,500,356</u>	<u>3,509,976</u>	<u>3,509,047</u>	<u>929</u>
Net changes in fund balances	856,894	948,059	941,153	(6,906)
Fund balances, beginning of year	<u>3,776,254</u>	<u>3,776,254</u>	<u>3,776,254</u>	<u>-</u>
Fund balances, end of year	<u><u>4,633,148</u></u>	<u><u>4,724,313</u></u>	<u><u>4,717,407</u></u>	<u><u>(6,906)</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 2017

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	10,369	-	10,369
Receivables, net	20,310	-	20,310
Current portion of net investment in capital leases	-	47,339	47,339
Other current assets	2,485	-	2,485
Total current assets	33,164	47,339	80,503
Noncurrent assets			
Net investment in capital leases, net of current portion	-	1,321,249	1,321,249
Capital assets, net of accumulated depreciation	4,384,241	-	4,384,241
Total noncurrent assets	4,384,241	1,321,249	5,705,490
Total assets	4,417,405	1,368,588	5,785,993
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	32,207	-	32,207
Total deferred outflows of resources	32,207	-	32,207
LIABILITIES			
Current liabilities			
Accounts payable and other accrued liabilities	53,972	-	53,972
Current portion of long-term debt	-	47,339	47,339
Total current liabilities	53,972	47,339	101,311
Noncurrent liabilities			
Long-term debt and other liabilities	-	1,321,249	1,321,249
Net pension liability	147,051	-	147,051
Total noncurrent liabilities	147,051	1,321,249	1,468,300
Total liabilities	201,023	1,368,588	1,569,611
DEFERRED INFLOWS OF RESOURCES			
Pension related	3,058	-	3,058
Total deferred inflows of resources	3,058	-	3,058
NET POSITION			
Net investment in capital assets	4,384,241	-	4,384,241
Unrestricted (deficit)	(138,710)	-	(138,710)
Total net position	4,245,531	-	4,245,531

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 2017

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	96,498	-	96,498
Miscellaneous	76,944	-	76,944
Total operating revenues	<u>173,442</u>	<u>-</u>	<u>173,442</u>
Operating expenses			
Salaries and wages	163,624	-	163,624
Employee benefits	45,045	-	45,045
Repairs and maintenance	62,714	-	62,714
Utilities	110,893	-	110,893
Rentals and leasing	1,515	-	1,515
Insurance	3,785	-	3,785
Office supplies	136	-	136
Professional services	379	-	379
Agricultural and chemical supplies	20	-	20
Depreciation/amortization	340,570	-	340,570
Minor equipment and tools	15,242	-	15,242
Travel and training	44	-	44
Miscellaneous	72	-	72
Total operating expenses	<u>744,039</u>	<u>-</u>	<u>744,039</u>
Operating income (loss)	<u>(570,597)</u>	<u>-</u>	<u>(570,597)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	3	27,342	27,345
Appropriations from the City of Auburn	201,675	-	201,675
Interest and fiscal charges	-	(27,342)	(27,342)
Loss on disposal of assets	(4,034)	-	(4,034)
Total non-operating revenues (expenses)	<u>197,644</u>	<u>-</u>	<u>197,644</u>
Change in net position	(372,953)	-	(372,953)
Net position--beginning of year	<u>4,618,484</u>	<u>-</u>	<u>4,618,484</u>
Net position--end of year	<u><u>4,245,531</u></u>	<u><u>-</u></u>	<u><u>4,245,531</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER, 30 2017

	Public Park and Recreation Board \$	Downtown Redevelopment Authority \$	Total \$
Cash flows from operating activities			
Cash collected from customers	190,085	-	190,085
Payments to suppliers for goods and services	(156,077)	-	(156,077)
Payments to employees for services	(207,076)	-	(207,076)
Net cash provided (consumed) by operating activities (A)	<u>(173,068)</u>	<u>-</u>	<u>(173,068)</u>
Cash flows from noncapital financing activities			
Operating transfers in	201,675	-	201,675
Net cash provided (consumed) by noncapital financing activities	<u>201,675</u>	<u>-</u>	<u>201,675</u>
Cash flows from capital and related financing activities			
Interest and fiscal fees paid	-	(27,342)	(27,342)
Acquisition and construction of capital assets	(18,391)	-	(18,391)
Net cash provided (consumed) by capital and related financing activities	<u>(18,391)</u>	<u>(27,342)</u>	<u>(45,733)</u>
Cash flows from investing activities			
Interest on investments	3	27,342	27,345
Net cash provided (consumed) by investing activities	<u>3</u>	<u>27,342</u>	<u>27,345</u>
Net increase (decrease) in cash	10,219	-	10,219
Cash and cash equivalents, beginning of year	<u>150</u>	<u>-</u>	<u>150</u>
Cash and cash equivalents, end of year	<u><u>10,369</u></u>	<u><u>-</u></u>	<u><u>10,369</u></u>
Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):			
Operating income (loss)	(570,597)	-	(570,597)
Add:			
Depreciation/amortization expense	340,570	-	340,570
Decrease in accounts receivable	16,643	-	16,643
Increase in accounts payable	39,908	-	39,908
Increase in pension related liabilities	13,659	-	13,659
Less:			
Increase in prepaid expenses	(1,186)	-	(1,186)
Increase in deferred pension contributions	(11,959)	-	(11,959)
Decrease in pension related liabilities/deferred inflows	<u>(106)</u>	<u>-</u>	<u>(106)</u>
Net cash provided (consumed) by operating activities	<u><u>(173,068)</u></u>	<u><u>-</u></u>	<u><u>(173,068)</u></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, 2017

Governmental funds capital assets	\$
Land, buildings and improvements	71,275,259
Construction in progress	15,246,040
Communication equipment	381,850
Heavy equipment	3,817,916
Office equipment	4,349,556
Small tools and equipment	1,613,318
Vehicles	9,821,296
Infrastructure	186,768,834
Total governmental funds capital assets	<u>293,274,069</u>
Investment in governmental funds capital assets by source	
General fund revenues	182,343,181
Capital projects funds	56,710,214
Federal grants	15,113,730
State grants	237,711
Special revenue fund revenues	2,616,928
Donations	23,234,983
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	11,772,587
Total investment in governmental funds capital assets	<u>293,274,069</u>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2017

	Governmental Funds Capital Assets September 30, 2016 \$	Transfers/ Additions \$	Transfers/ Deductions \$	Governmental Funds Capital Assets September 30, 2017 \$
General government and administration				
Information technology	2,757,324	1,280,119	(792,593)	3,244,850
Geographical information systems	275,827	-	-	275,827
Judicial	28,212	-	-	28,212
Administrative	662,027	110,844	27,295	800,166
Finance	858,255	96,894	-	955,149
Total general government and administration	4,581,645	1,487,857	(765,298)	5,304,204
Public works administration	190,069,497	21,360,751	(5,257,385)	206,172,863
Environmental services	2,598,686	235,379	(67,276)	2,766,789
Public safety administration	6,158,023	1,358,069	(583,235)	6,932,857
Fire	4,318,308	494,302	(257,043)	4,555,567
Police	3,321,128	866,459	(237,269)	3,950,318
Codes enforcement	111,348	22,303	-	133,651
Library	5,237,520	53,558	(11,488)	5,279,590
Parks and recreation	30,404,070	2,835,714	(891,720)	32,348,064
Planning	47,269	-	-	47,269
Human resources	1,214,413	20,092	(10,046)	1,224,459
Economic development	163,494	-	-	163,494
Total departmental	248,225,401	28,734,484	(8,080,760)	268,879,125
Nondepartmental	19,426,210	5,190,009	(221,275)	24,394,944
Total governmental funds capital assets	267,651,611	33,924,493	(8,302,035)	293,274,069

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2017

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	3,244,850	27,021	-	516,463	-	1,791,016	316,350	71,229	67,120	455,651
Geographical information systems	275,827	14,835	-	-	-	224,383	36,609	-	-	-
Judicial	28,212	28,212	-	-	-	-	-	-	-	-
Administrative	800,166	781,476	-	510	-	-	-	-	18,180	-
Finance	955,149	6,272	-	96,895	-	21,835	806,202	-	23,945	-
Total general government and administration	5,304,204	857,816	-	613,868	-	2,037,234	1,159,161	71,229	109,245	455,651
Public works administration	206,172,863	3,845,626	4,653,650	11,840,373	1,423,386	64,742	13,437	214,388	1,637,748	182,479,513
Environmental services	2,766,789	938,606	-	3,375	390,026	6,658	-	253,270	1,174,854	-
Public safety administration	6,932,857	5,419,201	-	751,823	-	234,232	365,956	-	20,319	141,326
Fire	4,555,567	232,980	-	-	1,432,876	-	-	290,369	2,599,342	-
Police	3,950,318	130,593	-	-	-	227,700	75,748	364,524	3,151,753	-
Codes enforcement	133,651	-	-	-	-	7,421	-	-	126,230	-
Library	5,279,590	5,050,907	-	-	-	223,053	-	-	-	5,630
Parks and recreation	32,348,064	24,689,986	-	2,036,601	571,628	15,775	-	419,538	927,822	3,686,714
Planning	47,269	4,500	-	-	-	5,583	-	-	37,186	-
Human resources	1,224,459	910,312	-	-	-	100,130	194,576	-	19,441	-
Economic development	163,494	146,138	-	-	-	-	-	-	17,356	-
Total departmental	268,879,125	42,226,665	4,653,650	15,246,040	3,817,916	2,922,528	1,808,878	1,613,318	9,821,296	186,768,834
Nondepartmental	24,394,944	24,394,944	-	-	-	-	-	-	-	-
Total governmental funds capital assets	293,274,069	66,621,609	4,653,650	15,246,040	3,817,916	2,922,528	1,808,878	1,613,318	9,821,296	186,768,834

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	151
<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	158
<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	160
<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	164
<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	166
<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.



City of Auburn

Table 1
City of Auburn
Net Position by Activity Type
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities										
Net investment in capital assets	74,502,152	75,764,472	81,866,977	87,677,067	91,886,384	100,145,164	110,178,706	118,307,151	149,544,640	172,516,412
Restricted	9,642,375	10,992,367	12,021,563	11,418,353	12,643,443	12,142,108	10,706,845	92,735,176	67,163,363	47,557,073
Unrestricted ⁽¹⁾	(56,231,481)	(63,639,574)	(74,342,301)	(67,271,114)	(74,219,051)	(64,934,181)	(55,679,045)	(156,555,646)	(160,132,588)	(161,544,320)
Total governmental activities net position	<u>27,913,046</u>	<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>
Primary government - business-type activities										
Net investment in capital assets	24,755,968	25,486,581	25,830,053	25,570,257	26,690,464	29,798,149	33,236,208	37,097,393	40,247,221	41,989,278
Restricted	-	20,739,857	3,876,709	1,956,004	1,070,064	-	648,195	1,970,849	509,425	2,266,933
Unrestricted	(574,995)	(20,859,392)	(2,025,635)	818,835	5,052,411	7,194,747	7,361,470	5,291,163	7,353,032	8,323,217
Total business-type activities net position	<u>24,180,973</u>	<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>
Total primary government										
Net investment in capital assets	99,258,120	101,251,053	107,697,030	113,247,324	118,576,848	129,943,313	143,414,914	155,404,544	189,791,861	214,505,690
Restricted	9,642,375	31,732,224	15,898,272	13,374,357	13,713,507	12,142,108	11,355,040	94,706,025	67,672,788	49,824,006
Unrestricted ⁽¹⁾	(56,806,476)	(84,498,966)	(76,367,936)	(66,452,279)	(69,166,640)	(57,739,434)	(48,317,575)	(151,264,483)	(152,779,556)	(153,221,103)
Total primary government net position	<u>52,094,019</u>	<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>

⁽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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses										
Governmental activities:										
General government and administration	6,174,239	6,155,735	6,270,653	6,696,333	6,882,510	7,292,682	7,986,358	8,880,442	9,009,933	9,943,090
Public works	7,078,353	7,574,881	6,844,357	7,176,200	7,087,489	7,212,310	7,253,198	7,600,358	8,743,085	9,360,886
Environmental services ⁽¹⁾	4,604,401	1,770,911	1,670,173	1,759,158	1,903,429	2,097,261	2,180,362	2,201,278	2,272,010	2,392,134
Public safety	15,143,318	16,288,317	16,904,689	17,484,211	17,966,335	18,470,037	19,036,443	19,363,905	20,189,149	21,414,563
Library	1,550,700	1,678,410	1,613,894	1,641,371	1,686,566	1,708,144	1,684,288	1,770,379	1,845,480	1,954,493
Parks and recreation	5,287,171	6,207,871	5,377,218	5,611,356	5,607,803	5,520,692	5,861,786	6,207,847	6,389,142	6,826,158
Planning	648,516	614,034	665,283	573,462	562,555	635,202	669,831	583,137	594,714	768,847
Social and economic development	10,794,553	5,353,639	17,864,393	3,302,021	5,235,985	7,206,018	6,056,184	4,624,506	5,370,638	4,766,718
Human resources	584,270	697,585	704,963	702,065	698,236	725,083	755,927	742,752	2,244,797	2,341,425
Risk management	768,281	1,297,761	1,289,942	1,069,339	1,585,905	876,140	1,289,854	1,576,913	333,618	381,875
Education (payments to Board of Education)	11,995,523	21,544,112	13,530,795	14,624,398	35,412,033	15,850,759	16,350,759	24,505,586	60,918,952	47,502,333
Interest on long-term debt	5,954,377	5,860,550	5,346,829	5,914,822	5,753,942	5,420,673	4,968,931	4,772,926	7,253,215	7,041,045
Total governmental activities expenses	70,583,702	75,043,806	78,083,189	66,554,736	90,382,788	73,015,001	74,093,921	82,830,029	125,164,733	114,693,567
Business-type activities:										
Sewer Fund	6,903,856	7,825,230	7,804,203	8,173,912	8,038,127	7,470,780	7,960,070	8,639,882	8,387,444	8,705,876
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
Total business-type activities expenses	6,903,856	11,003,804	11,190,040	11,696,865	11,796,011	11,418,802	12,105,434	12,752,782	12,767,534	13,282,298
Total primary government expenses	77,487,558	86,047,610	89,273,229	78,251,601	102,178,799	84,433,803	86,199,355	95,582,811	137,932,267	127,975,865
Program Revenues										
Governmental activities:										
Charges for services:										
General government and administration	9,203,949	11,254,130	10,890,570	10,540,374	12,332,933	12,579,879	12,915,500	13,617,202	13,940,978	14,969,365
Public works	-	-	-	-	250	-	875	1,400	625	856
Environmental services ⁽¹⁾	2,789,426	-	-	-	-	-	-	-	-	-
Public safety	3,144,717	3,091,180	3,218,920	3,677,033	3,203,403	4,208,044	4,220,666	4,318,581	4,750,953	5,344,659
Library	32,435	37,558	42,893	34,621	35,799	39,368	40,388	32,445	27,519	26,604
Parks and recreation	670,682	807,267	785,095	791,821	729,455	596,199	647,827	697,981	684,363	661,328
Planning	43,379	30,002	38,322	40,872	59,489	62,175	46,301	55,663	64,665	68,134
Human resources ⁽²⁾	-	-	-	-	-	-	-	-	-	945,484
Risk management ⁽²⁾	415,381	716,141	741,130	745,281	782,796	808,123	765,858	769,341	766,273	-
Operating grants and contributions	2,112,431	2,975,232	2,378,429	2,747,298	3,831,256	3,590,979	2,531,117	2,354,400	2,342,212	2,307,693
Capital grants and contributions	14,639,704	1,898,595	4,238,477	3,698,776	3,687,087	3,552,787	3,323,007	2,182,193	4,223,636	11,066,377
Total governmental activities program revenue	33,052,104	20,810,105	22,333,836	22,276,076	24,662,468	25,437,554	24,491,539	24,029,206	26,801,224	35,390,500
Business-type activities:										
Charges for services:										
Sewer Fund	6,486,904	7,758,337	8,722,591	9,493,840	10,938,292	10,448,380	11,063,939	11,528,965	11,526,093	12,064,021
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
Operating grants and contributions	-	1,000	39,831	21,595	19,369	44,553	43,332	-	5,383	672
Capital grants and contributions	610,781	1,178,184	605,467	373,520	244,653	1,177,207	681,000	1,741,381	458,185	860,763
Total business-type activities program revenues	7,097,685	12,056,446	12,501,005	12,850,580	14,793,085	15,568,357	15,987,261	17,752,878	16,549,840	17,768,736
Total primary government program revenues	40,149,789	32,866,551	34,834,841	35,126,656	39,455,553	41,005,911	40,478,800	41,782,084	43,351,064	53,159,236
Net (expense)/revenue										
Governmental activities	(37,531,598)	(54,233,701)	(55,749,353)	(44,278,660)	(65,720,320)	(47,577,447)	(49,602,382)	(58,800,823)	(98,363,509)	(79,303,067)
Business-type activities	193,829	1,052,642	1,310,965	1,153,715	2,997,074	4,149,555	3,881,827	5,000,096	3,782,306	4,486,438
Total primary government net expense	(37,337,769)	(53,181,059)	(54,438,388)	(43,124,945)	(62,723,246)	(43,427,892)	(45,720,555)	(53,800,727)	(94,581,203)	(74,816,629)

⁽¹⁾ In FY09, the Solid Waste Management Fund was created to account for charges from Environmental Services - Solid Waste and Recycling, which had previously been accounted for in the General Fund under Environmental Services.

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

Table 2 Continued

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Revenues and Other Changes in Net Position										
Government activities:										
Taxes:										
Sales taxes	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,569	37,418,331	39,672,910	39,648,005
Occupational license fees	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,046	12,068,066
Property taxes	16,953,172	19,053,631	20,169,135	20,966,105	21,424,164	20,971,590	21,645,465	22,486,529	23,782,006	25,187,386
Motor fuel taxes	502,460	260,447	278,467	293,425	311,846	311,022	340,415	365,345	383,488	386,296
Lodging taxes	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,851	1,816,370	2,247,771	2,355,985
Rental and leasing taxes	538,541	451,563	420,201	473,732	515,164	571,248	612,457	768,245	799,550	890,599
Cigarette taxes	84,663	78,290	77,423	79,304	77,145	75,880	70,860	73,306	69,249	66,528
Alcoholic beverage taxes	83,521	119,781	121,710	131,668	142,503	160,725	170,559	180,604	202,213	215,281
Appropriations from component units	-	-	-	-	-	333,591	-	-	-	-
Interest and investment earnings	1,255,843	827,049	512,963	362,808	241,936	287,977	327,499	488,820	729,863	505,746
Gain (loss) on disposal of assets	31,509	(166,665)	-	33,639	64,005	-	68,237	-	-	(221,202)
Miscellaneous	30,927	10,277	38,073	31,441	29,967	34,558	63,801	40,790	81,981	43,522
Special items	1,727,516	-	-	-	-	-	-	-	-	-
Transfers	106,111	(631,870)	(232,893)	(248,354)	(626,769)	(464,859)	(309,019)	130,979	118,755	110,605
Total governmental activities	51,958,932	49,437,921	52,168,327	55,516,406	64,206,783	65,355,816	69,028,763	74,573,521	79,648,832	81,256,817
Business-type activities:										
Interest and investment earnings	43,263	139,237	45,538	48,728	33,440	32,518	33,809	34,395	41,216	36,533
Gain (loss) on disposal of assets	22,625	28,748	12,598	(754)	9,820	20,789	22,700	78,422	21,770	40,403
Miscellaneous	504	3,999	37,087	7,656	6,085	2,246	5,622	7,326	23,736	16,982
Special items ⁽¹⁾	-	-	675,000	-	-	-	-	-	-	-
Transfers	(106,111)	(38,553)	232,893	248,354	626,769	464,859	309,019	(130,979)	(118,755)	(110,605)
Total business-type activities	(39,719)	133,431	1,003,116	303,984	676,114	520,412	371,150	(10,836)	(32,033)	(16,687)
Total primary government	51,919,213	49,571,352	53,171,443	55,820,390	64,882,897	65,876,228	69,399,913	74,562,685	79,616,799	81,240,130
Changes in Net Position										
Governmental activities	14,427,334	(4,795,780)	(3,581,026)	11,237,746	(1,513,537)	17,778,369	19,426,381	15,772,698	(18,714,677)	1,953,750
Business-type activities	154,110	1,186,073	2,314,081	1,457,699	3,673,188	4,669,967	4,252,977	4,989,260	3,750,273	4,469,751
Total primary government	14,581,444	(3,609,707)	(1,266,945)	12,695,445	2,159,651	22,448,336	23,679,358	20,761,958	(14,964,404)	6,423,501

⁽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	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
2008	21,044,830	162,266	739,673	1,910,610	277,306	115,165	16,420,033	40,669,884
2009	20,143,854	164,539	749,811	1,612,284	245,537	138,276	18,696,415	41,750,715
2010	21,081,231	146,915	788,560	1,662,229	-	108,006	19,739,993	43,526,934
2011	22,987,405 ⁽²⁾	168,268	818,351	1,839,015	184,886	126,685	20,333,624	46,458,234
2012	30,890,400	173,478	876,592	1,958,908	173,972	129,888	20,503,864	54,707,103
2013	31,831,180	177,243	871,498	2,126,307	147,553	137,809	20,271,550	55,563,140
2014	34,303,571	163,247	931,515	2,217,307	159,641	143,293	20,900,546	58,819,120
2015	37,418,331	176,824	991,613	2,584,615	279,282	146,908	21,746,672	63,344,245
2016	39,672,910	169,867	1,035,475	3,045,852	237,816	199,691	22,987,066	67,348,677
2017	39,648,005	156,610	1,044,000	3,246,585	356,709	160,200	24,296,138	68,908,246

⁽¹⁾ Includes state shared taxes.

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

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

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	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Reserved	12,967,664	8,844,309	7,451,985	-	-	-	-	-	-	-
Unreserved	15,882,269	19,983,950	19,649,481	-	-	-	-	-	-	-
Nonspendable	-	-	-	7,504,505	7,038,187	6,753,924	9,998,365	15,992,698	19,776,701	6,954,036
Restricted	-	-	-	176,679	237,639	298,192	341,705	343,988	343,769	305,255
Assigned	-	-	-	4,854,720	4,778,855	2,840,828	6,565,787	5,649,101	4,788,112	8,557,221
Unassigned	-	-	-	16,489,870	20,973,636	29,025,058	25,574,688	22,328,970	24,486,213	31,873,117
Total general fund	<u>28,849,933</u>	<u>28,828,259</u>	<u>27,101,466</u>	<u>29,025,774</u>	<u>33,028,317</u>	<u>38,918,002</u>	<u>42,480,545</u>	<u>44,314,757</u>	<u>49,394,795</u>	<u>47,689,629</u>
All other governmental funds										
Reserved	2,166,922	2,135,901	4,075,582	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	5,072,970	5,692,659	4,766,559	-	-	-	-	-	-	-
Debt service funds	3,163,736	3,898,630	3,831,043	-	-	-	-	-	-	-
Capital projects funds	1,667,086	6,402,424	1,297,837	-	-	-	-	-	-	-
Nonspendable	-	-	-	560,000	-	-	-	-	-	-
Restricted	-	-	-	10,015,439	13,631,350	13,152,780	9,496,112	90,168,804 ⁽²⁾	49,118,334 ⁽²⁾	42,164,339
Unassigned	-	-	-	-	(347,364)	-	-	-	-	-
Total all other governmental funds	<u>12,070,714</u>	<u>18,129,614</u>	<u>13,971,021</u>	<u>10,575,439</u>	<u>13,283,986</u>	<u>13,152,780</u>	<u>9,496,112</u>	<u>90,168,804</u>	<u>49,118,334</u>	<u>42,164,339</u>

⁽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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Sales and use taxes	21,044,830	20,143,854	21,081,232	22,987,406	30,890,400	31,831,180	34,303,571	37,418,331	39,672,910	39,648,007
Occupational license fees	8,174,202	8,107,024	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,047	12,068,066
Motor fuel taxes	496,966	511,874	547,407	576,855	612,720	610,968	669,550	719,367	755,217	760,818
Lodging taxes	1,425,637	1,184,540	1,253,511	1,371,789	1,914,441	1,559,012	1,604,850	1,816,370	2,247,771	2,355,985
Rental and leasing taxes	538,541	451,563	420,201	473,732	515,164	571,248	612,457	768,245	799,550	890,599
Other taxes	168,183	198,072	199,133	210,972	219,648	236,605	241,419	253,910	271,462	281,809
Licenses and permits	8,266,168	9,350,937	9,002,598	8,860,187	10,222,535	10,210,208	10,638,252	11,302,434	11,856,992	12,893,642
General property tax	16,953,172	19,053,632	20,169,134	20,966,105	21,424,165	20,971,590	21,645,466	22,486,529	23,782,005	25,187,386
Charges for services	7,440,776	5,231,625	5,286,945	5,777,642	5,544,334	6,428,631	6,439,547	6,743,621	7,086,335	7,901,167
Fines and forfeitures	1,267,362	1,201,777	1,323,548	1,247,137	1,452,953	1,636,516	1,579,802	1,420,812	1,241,661	1,140,361
State shared taxes	1,178,766	1,390,567	881,140	1,057,737	1,278,040	2,016,806	1,279,503	1,424,458	1,455,324	1,515,559
Contributions from the public	606,144	2,329,064	868,428	1,624,491	600,544	1,014,850	1,826,242	668,974	1,611,684	2,241,224
Grants	1,699,127	2,125,631	2,555,213	2,205,074	2,959,710	2,711,021	1,807,224	3,318,443	820,258	3,537,706
Program income	350,544	836,384	521,164	385,822	305,363	609,879	517,638	474,915	287,464	362,754
Interest	1,240,177	851,855	512,963	362,808	241,936	287,977	327,498	488,821	729,862	505,747
Miscellaneous	117,144	60,020	89,280	71,438	61,489	68,275	97,957	64,914	85,438	47,753
Total revenues	70,967,739	73,028,419	73,160,402	77,212,638	87,465,423	90,448,658	93,721,045	100,174,346	104,264,980	111,338,583
Expenditures										
General government and administration	4,017,923	4,127,351	4,417,596	4,821,147	4,900,632	4,971,598	5,857,396	5,687,183	6,089,761	6,424,142
Public works	2,981,356	4,343,137	3,530,072	3,751,109	3,528,928	3,568,302	3,497,655	3,577,600	4,101,467	4,414,820
Environmental services	4,298,499	1,636,517	1,609,168	1,665,499	1,806,656	1,956,168	2,031,430	1,999,822	2,085,786	2,233,367
Public safety	14,366,534	15,318,545	15,953,686	16,692,869	17,164,517	17,753,502	18,067,357	18,521,534	19,322,321	20,420,507
Library	1,416,673	1,450,815	1,425,399	1,455,630	1,503,734	1,622,482	1,539,862	1,619,702	1,705,483	1,795,959
Parks and recreation	4,575,572	4,358,992	4,580,462	4,714,322	4,788,245	4,684,929	4,862,432	4,975,692	5,501,434	5,693,864
Planning	643,259	609,721	664,088	573,465	562,214	635,402	671,214	582,693	592,471	765,579
Economic development	1,674,592	2,126,883	2,187,721	2,035,324	3,005,858	2,158,634	2,381,356	2,351,410	1,551,178	1,502,143
Employee services	550,107	637,204	656,148	655,029	642,122	675,100	696,740	692,462	2,186,194	2,254,673
Risk management	941,221	1,231,524	1,313,917	1,269,056	1,301,944	1,048,527	1,356,823	1,660,020	360,932	299,416
Non-departmental	2,213,532	1,906,387	1,937,902	1,915,070	1,978,998	2,056,603	2,210,562	2,561,619	2,845,963	2,816,728
Debt service										
Principal	28,354,631 ⁽¹⁾	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
Interest	6,042,452	6,018,665	5,622,881	6,049,543	6,256,774	5,726,573	5,272,797	5,548,480	7,243,523	7,365,924
Capital Outlay	6,939,861	5,702,327	10,521,541	5,774,421	7,261,516	10,830,762	11,432,511	10,246,657	10,844,770	21,258,053
Intergovernmental	2,515,343	2,198,727	1,022,118	876,083	921,568	1,034,319	951,428	1,069,266	1,037,158	1,258,457
Payments to component units	19,939,274	24,919,475	28,818,541	15,755,842	38,546,879 ⁽²⁾	20,404,444	19,679,683	26,858,347 ⁽³⁾	64,065,542 ⁽³⁾	49,698,750
Total expenditures	101,470,829	86,646,579	94,250,269	78,469,197	107,183,965	91,629,036	93,603,807	99,906,043	140,557,816	138,254,017
Excess of revenues over (under) expenditures	(30,503,090)	(13,618,160)	(21,089,867)	(1,256,559)	(19,718,542)	(1,180,378)	117,238	268,303	(36,292,836)	(26,915,434)

⁽¹⁾This increase was due to the refunding of various warrants and permanently financing a line of credit.⁽²⁾This increase was due to the issuance of \$18.5 million in warrants for the Board of Education.⁽³⁾This increase was due to transfers of debt proceeds issued in fiscal 2015 for the Board of Education and held by the City. Transfers of the proceeds are made as construction progresses on the construction of a new high school.

Table 5 Continued

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other financing sources (uses)										
Debt issuance	13,927,516	19,590,794	15,155,000	-	24,325,835	5,525,000	-	94,638,169 ⁽²⁾	-	18,000,000
Refunding	11,268,100	-	27,020,000	-	27,879,100	-	-	-	-	-
Sale of surplus assets	50,134	16,919	33,355	33,639	64,006	1,878,717	97,656	150,243	64,678	145,670
Transfers in	6,960,429	8,707,117	725,271	565,234	509,453	681,045	1,354,436	6,707,462	1,906,217	685,412
Transfers out	(6,844,749)	(8,659,444)	(958,164)	(813,589)	(1,196,222)	(1,145,905)	(1,663,455)	(6,576,483)	(1,787,462)	(574,808)
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)	25,361,430	19,655,386	15,204,478	(214,716)	26,429,633	6,938,857	(211,363)	82,238,601	183,433	18,256,274
Net changes in fund balances	(5,141,660)	6,037,226	(5,885,389)	(1,471,275)	6,711,091	5,758,479	(94,125)	82,506,904	(36,109,403)	(8,659,160)
Debt service as a percentage of non-capital expenditures ⁽¹⁾	36.4%	19.9%	18.6%	22.7%	19.3%	22.6%	22.4%	19.5%	14.1%	14.9%

⁽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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	66,699	57,276	60,201	68,169	66,354	67,768	51,655	56,558	53,115	52,416
Grocery Stores	51,372	51,435	55,799	70,663	77,901	88,493	122,960 ⁽¹⁾	130,561	146,793	164,818
Eating & Drinking Establishments	120,987	120,462	127,753	148,302	131,813	144,085	153,152	166,863	184,695	191,206
Mass General Merchandise Stores	110,116	115,686	114,644	122,437	116,691	111,335	81,345 ⁽¹⁾	85,900	87,640	90,626
Auto Dealers & Supplies	40,203	33,484	39,021	42,278	38,291	39,471	48,882	52,936	53,992	55,658
Building Materials	34,454	32,257	31,794	26,698	36,185	45,462	46,000	51,865	55,841	60,923
Home Furnishing & Appliances	14,823	11,085	9,733	11,126	12,477	17,343	18,209	20,302	24,702	25,399
All Other Retail Sales	258,296	244,863	254,509	273,606	289,079	281,822	313,376	335,521	368,646	333,866
Totals	696,950	666,548	693,454	763,279	768,791	795,780	835,579	900,507	975,424	974,912

⁽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
2007	3.0%	1.0%	4.0%	8.0%
2008	3.0%	1.0%	4.0%	8.0%
2009	3.0%	1.0%	4.0%	8.0%
2010	3.0%	1.0%	4.0%	8.0%
2011 ⁽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%

Source: State of Alabama Department of Revenue

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

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

Current Year and Nine Years Ago
Unaudited

Employer	2008	2017
	Rank	Rank
Wal-Mart	1	1
Sam's (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
Chartwell's (Opened 2007) ⁽²⁾	-	7
Builders First Source SE (formerly Waid T	-	8
Academy Sports (Opened 2008)	6	9
Dillard's	5	10

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

⁽²⁾ Auburn University Dining Services

Table 9
City of Auburn ~ 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
	\$	\$	\$	\$		\$
2008	125,425	-	34,054	159,479	12.40%	3,149
2009	134,915	-	62,776	197,691	14.45%	3,749
2010	140,282	-	45,694	185,976	13.34%	3,478
2011	129,760	-	44,608	174,368	13.04%	3,196
2012	143,704	1,500	49,528	194,732	14.76%	3,519
2013	140,564	1,585	48,130	190,279	13.19%	3,365
2014	127,035	1,782	45,899	174,716	12.48%	3,023
2015 ⁽¹⁾	196,429	3,143	46,755	246,327	15.91%	3,961
2016	184,967	2,965	44,127	232,059	14.81%	3,739
2017	192,494	2,787	41,333	236,614	13.87%	3,572

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
	\$	\$	\$		\$
2007	128,622,328	2,748,975	125,873,353	19.83%	2,532
2008	125,424,618	3,163,736	122,260,882	17.25%	2,414
2009	134,915,117	3,898,630	131,016,487	17.79%	2,485
2010	140,281,829 ⁽²⁾	3,831,044	136,450,785	18.16%	2,537
2011	129,759,735	3,723,922	126,035,813	15.80%	2,295
2012	143,704,141 ⁽³⁾	3,540,270	140,163,871	17.49%	2,457
2013	140,564,282	3,019,959	137,544,323	17.25%	2,348
2014	128,817,154	2,477,786	126,339,368	16.27%	2,100
2015	199,571,962 ^(4,5)	2,531,934	197,040,028	24.47%	3,169
2016	187,931,805	3,776,254	184,155,551	21.74%	2,967
2017	195,281,109 ⁽⁶⁾	4,717,407	190,563,702	21.24%	2,876

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.

Table 11
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt
 Fiscal Year 2017
Unaudited

	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
City of Auburn Direct Debt			
General Bonded Debt and Warrants	\$ 195,281,109	100%	\$ 195,281,109
Overlapping Debt			
Lee County General Bonded Debt and Warrants	\$ 28,459,470	40%	11,318,361
Total Direct and Overlapping Debt			\$ 206,599,470

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

⁽¹⁾The percentage of overlapping 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	141,724	147,267	150,282	159,565	160,252	159,516	155,255	167,626	169,409	179,407
Total net debt applicable to limit	62,451	65,355	73,116	64,479	60,974	56,673	46,895	38,387	31,083	24,897
Legal debt margin	79,273	81,912	77,166	95,086	99,278	102,843	108,360	129,239	138,326	154,510
Total net debt applicable to limit as a percentage of debt limit	44.07%	44.38%	48.65%	40.41%	38.05%	35.53%	30.21%	22.90%	18.35%	13.88%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	<u>\$ 897,035,240</u>
Debt limit (20% of total assessed value)	<u>\$ 179,407,048</u>
Debt applicable to limit:	
General obligation bonds	\$ 223,287,416
Less: Exempt Debt	<u>198,390,553</u>
Total net debt applicable to limit	<u>24,896,863</u>
Legal debt margin	<u>\$ 154,510,185</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)
	\$	\$	\$	\$	\$	
2008	6,553,296	4,569,543	1,983,753	475,000	1,236,928	1.16
2009	7,912,095	4,641,814	3,270,281	495,000	1,890,914	1.37
2010	8,803,453	4,548,588	4,254,865	1,060,000	1,788,254	1.49
2011	9,549,042	4,570,730	4,978,312	1,105,000	2,089,603	1.56
2012	10,978,794	4,465,603	6,513,191	1,155,000	1,983,951	2.07
2013	10,510,245	4,074,714	6,435,531	2,110,000	1,792,555	1.65
2014	11,106,938	3,868,822	7,238,116	2,140,000	2,074,208	1.72
2015	11,631,200	4,443,489	7,187,711	2,205,000	2,147,458	1.65
2016	11,587,751	4,270,841	7,316,910	2,395,000	1,765,887	1.76
2017	12,129,675	4,521,369	7,608,306	2,560,000	1,672,393	1.80

⁽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>
2007	55,652	27,874	1,551,244	2.9%
2008	56,287	29,013	1,633,055	4.5%
2009	57,828	28,339	1,638,788	7.6%
2010	53,780	28,838	1,550,908	7.3%
2011	54,927	29,800	1,636,825	7.0%
2012	57,058	30,332	1,730,683	5.7%
2013	58,582	30,499	1,786,692	4.9%
2014	60,258	33,064	1,992,371	4.9%
2015	62,059	33,622	2,086,548	4.9%
2016	63,118	34,372	2,169,492	4.9%
2017	*	*	*	4.9%

⁽¹⁾ U. S. Census Bureau

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

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

⁽⁴⁾ U.S. Bureau of Labor Statistics

* Data not available at time of publication

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

Employer	2008			2017		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University ⁽¹⁾	5,825	1	15.81%	8,967	1	31.24%
Auburn City Schools	780	2	2.12%	1,025	2	3.57%
City of Auburn and Auburn Water Works Board ⁽²⁾	765	3	2.08%	715	3	2.49%
Masterbrand Cabinets, Inc.	350	6	0.95%	500	4	1.74%
Briggs & Stratton Corporation	555	4	1.51%	450	5	1.57%
CSP Technologies North America, LLC (Formerly CV Holdings)	255	7	0.69%	400	6	1.39%
Wal-Mart Supercenter	500	5	1.36%	480	7	1.67%
SCA, Inc.	120	18	0.33%	340	8	1.18%
Borbet Alabama, Inc.	215	10	0.58%	300	9	1.05%
Seohan Auto USA Corporation	-	-	-	240	10	0.84%
Total	9,365		37.40%	13,417		46.75%

⁽¹⁾ Includes temporary and seasonal employees.

⁽²⁾ There was a change in methodology from 2007 to 2016. In 2007, part-time positions were included in total. For 2016, part-time positions are converted to full-time equivalents.

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

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	76	77	77	81	81	77	76	76	76	77
Economic Development	13	13	13	13	12	12	12	12	12	12
Public Safety										
Police	113	115	113	113	113	115	116	116	117	129
Fire	43	43	43	43	43	43	43	43	43	43
Communications	11	11	11	11	11	11	11	11	13	13
Codes	9	9	9	9	8	8	8	8	9	10
Public Works										
Engineering	11	11	11	11	11	11	11	11	11	9
Construction & Maintenance	18	18	18	18	18	18	18	18	18	19
Inspection	6	6	6	6	6	6	6	6	6	7
Traffic Engineering	3	3	3	3	3	3	3	4	4	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	2	3
ROW	7	7	7	7	7	7	7	7	7	7
Fleet Services	10	10	10	10	10	10	10	10	10	10
Parks and Recreation										
Leisure Services	15	15	15	15	15	15	15	16	17	17
Parks & Facilities	27	26	26	26	26	26	26	26	26	26
Library	16	16	16	17	17	17	18	19	19	19
Sewer	15	16	16	16	17	17	17	19	21	20
Total	427	430	428	433	432	430	431	436	443	458

Source: City of Auburn Human Resources Department

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	3,143	2,480	2,643	2,712	3,096	3,053	3,102	3,679	2,957	2,612
Traffic violations	14,516	19,556	20,618	23,736	25,016	21,510	18,557	21,805	16,518	26,970
Calls for service	*	*	*	*	*	*	*	*	184,429	211,860
Fire										
Number of calls answered	2,330	2,523	4,025	4,065	4,303	4,367	4,948	4,950	5,532	5,900
Inspections	1,792	1,752	1,575	1,391	1,559	1,760	1,879	1,946	1,750	2,170
Public Works										
Potholes repaired	210	273	750	625	454	70	87	18	23	19
Environmental Services										
Refuse collected (tons/day) ⁽¹⁾	86	88	91	104	103	102	101	104	108	112
Recyclable collected (tons/day) ⁽¹⁾	4.21	4.39	4.36	4.40	5.82	5.60	4.96	5.03	5.09	5.21
Parks and Recreation										
Athletic participants	5,648	5,031	4,959	2,964	4,540	4,478	6,069	6,846	15,002 ⁽²⁾	17,159
Recreation center admissions	92,291	111,960	138,751	150,690	164,888	241,042	292,933	216,416	379,704 ⁽²⁾	434,806
Sewer										
Average daily sewage treatment (millions of gallons)	5.60	6.70	6.69	6.02	6.28	6.70	7.54	7.50	7.56	8.06

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol units	91	91	98	94	96	96	94	96	100	113
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)	696	693	693	693	700	739	742	⁽¹⁾ 624	⁽¹⁾ 627	⁽¹⁾ 635
Signaled Intersections	56	58	59	60	60	60	61	61	63	64
Parks and Recreation										
Parks acreage	1,944	1,944	1,944	1,944	1,944	1,944	1,944	1,956	2,022	2,195
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	44	44	44	44	44	44	44	44	44	44
Community centers	3	3	4	4	4	5	5	5	5	5
Sewer										
Sanitary sewers (miles)	240	245	248	300	300	330	350	350	350	350
Maximum daily treatment capacity (millions of gallons)	8	11	11	11	13	13	13	13	13	13

Source: City departments

⁽¹⁾ Represents a change in methodology