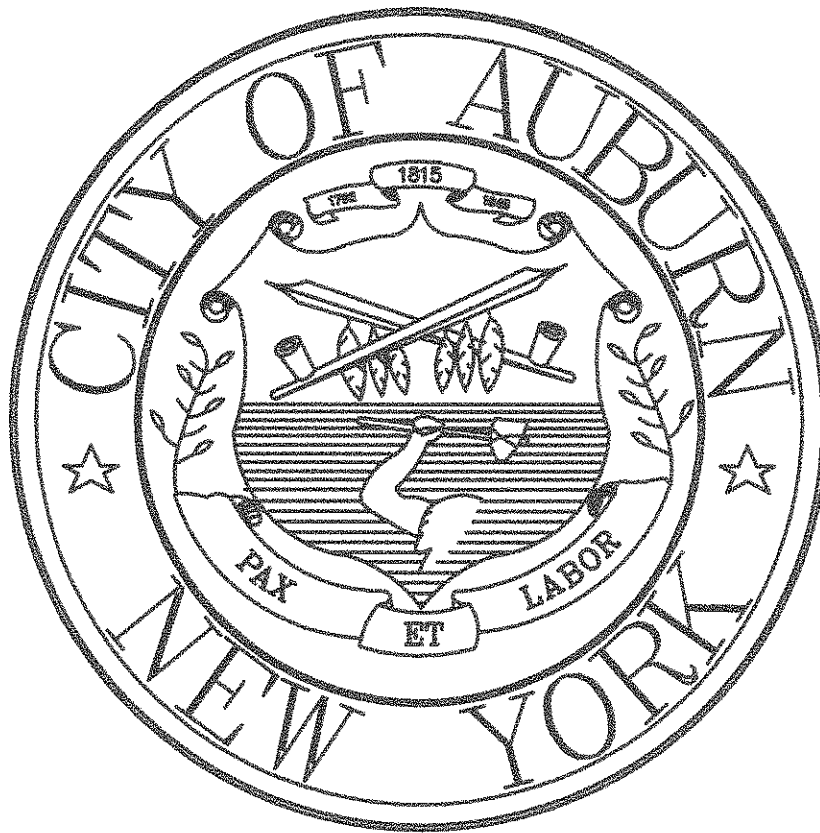


# **Annual Financial Report**

## **For the Year Ended June 30, 2011**



**Prepared For:**  
**Douglas A. Selby, City Manager**

**CITY OF AUBURN, NEW YORK**  
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**For the Year Ended June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and  
Members of City Council  
City of Auburn  
Auburn, New York**

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, New York as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Auburn, New York's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Auburn Industrial Development Authority and the Auburn Housing Authority, which represents 100 percent of the City's discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for the Auburn Industrial Development Authority and the Auburn Housing Authority, are based on the reports of other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, New York as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2012, on our consideration of the City of Auburn, New York'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 58 through 61 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.

*Green & Shiffrin CPAs*

Syracuse, New York

February 2, 2012

Required Supplementary Information  
Management's Discussion and Analysis

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Our discussion and analysis of the City of Auburn's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 13.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$69,519,302 (net assets). Of this amount, \$20,923,426 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased by \$1,713,932 or 7.6 percent.
- During the year, the City had expenses that were \$1,129,380 greater than the \$43,722,533 generated in revenues for governmental programs.
- The General fund recorded a decrease of \$935,633 in 2011 and had a fund balance at the end of the year of \$8,882,070.
- Overall, the City's bond and bond anticipation note (BAN) obligations increased by \$3,218,697 or 5.1 percent during the current fiscal year.
- The resources available for appropriation in the General Fund were \$806,981 greater than budgeted and the expenditures were \$425,068 favorable when compared to budget. Expenditures were favorable compared to the budget primarily due to employee benefits being less than budgeted (health insurance). In addition, there were vacancies in several positions for a portion of the year.

**Using this Annual Report**

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 through 15) provide information about the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 16. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the Government-wide statements by providing information about the City's most significant funds. The remaining statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains budgetary comparison information for the General Fund and Major Special Revenue Funds and other information in the form of combining statements for those funds that are not considered major funds and, therefore, are not presented individually in the basic financial statements.

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

### **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 13, with the Government-wide statements. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer the question of whether the City, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in them. One can think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's streets, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is separated into three kinds of activities:

**Governmental Activities:** Most of the City's services are reported in this category, including public safety, recreation, economic assistance, transportation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

**Business-type Activities:** The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's solid waste and power utility operations are reported here.

**Component units:** The City includes the Auburn Industrial Development Authority (AIDA) and the Auburn Housing Authority as component units. The Auburn Industrial Development Authority (AIDA) is a public benefit corporation, established to provide financial and other incentives to promote business and provide jobs in the City of Auburn. Copies of the AIDA's financial statements can be obtained by writing to the City of Auburn Comptroller's Office, Auburn, New York 13021. The Auburn Housing Authority is a not-for-profit, exempt organization which includes programs related to public and subsidized housing. Copies of the Auburn Housing Authority's financial statements can be obtained by writing to the Auburn Housing Authority, Auburn, New York 13021.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

Analysis of the City's Major Funds begins on page 16. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The City's two kinds of funds, Governmental and Proprietary, use different accounting approaches.

**Governmental Funds:** Most of the City's services are reported in the Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between Governmental Activities (reported in the Government-wide statements) and governmental funds is explained in a reconciliation following the fund financial statements.

**Proprietary Funds:** When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's Enterprise Funds (a component of Proprietary Funds) are the same as the Business-type Activities we report in the Government-wide statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

**The City as Trustee:** The City is the trustee, or fiduciary, for other assets that are held on behalf of others. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

#### **THE CITY AS A WHOLE**

The City's combined net assets for fiscal year ended June 30, 2011 decreased from \$72,999,155 to \$69,519,302, in comparison to last year when net assets increased by \$2,914,967. By far, the largest portion of the City's net assets (61 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion (7 percent) of the City's net assets represents resources that are subject to external restrictions on how they may be used and are reported as restricted net assets. The remaining category of total net assets, unrestricted net assets, of \$20,923,426, may be used to meet the government's ongoing obligations and services to creditors and citizens.

Our analysis below focuses on the net assets (Figure 1), and changes in net assets (Figure 2), of the City's Governmental and Business-type Activities.



**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Figure 1  
Net Assets  
(in thousands)**

|   | Governmental Activities |           | Business-type Activities |          | Total Primary Government |           | Percent Change |
|---|-------------------------|-----------|--------------------------|----------|--------------------------|-----------|----------------|
|   | 2011                    | 2010      | 2011                     | 2010     | 2011                     | 2010      | 2011-2010      |
| Current assets                          | \$ 25,770               | \$ 26,494 | \$ 7,195                 | \$ 6,315 | \$ 32,965                | \$ 32,809 | 0%             |
| Other noncurrent assets                 | 13,776                  | 7,605     | 1,149                    | 1,131    | 14,925                   | 8,736     | 71%            |
| Capital assets, net                     | 101,280                 | 101,323   | 9,867                    | 12,963   | 111,147                  | 114,286   | -3%            |
| Total assets                            | 140,826                 | 135,422   | 18,211                   | 20,409   | 159,037                  | 155,831   | 2%             |
| Current liabilities                     | 28,233                  | 18,571    | 3,110                    | 9,285    | 31,343                   | 27,856    | 13%            |
| Noncurrent liabilities                  | 44,618                  | 47,280    | 13,557                   | 7,696    | 58,175                   | 54,976    | 6%             |
| Total liabilities                       | 72,851                  | 65,851    | 16,667                   | 16,981   | 89,518                   | 82,832    | 8%             |
| Invested in capital assets, net of debt | 44,217                  | 44,514    | (195)                    | 45       | 44,022                   | 44,559    | -1%            |
| Restricted                              | 4,574                   | 5,803     | -                        | -        | 4,574                    | 5,803     | -21%           |
| Unrestricted                            | 19,184                  | 19,254    | 1,739                    | 3,383    | 20,923                   | 22,637    | -8%            |
| Total net assets                        | \$ 67,975               | \$ 69,571 | \$ 1,544                 | \$ 3,428 | \$ 69,519                | \$ 72,999 | -5%            |

The net assets of the City's Governmental Activities decreased by 2.3 percent or \$1,595,402. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, decreased from a surplus of \$19,254,292 at June 30, 2010 to \$19,183,795 at June 30, 2011. This decrease in unrestricted governmental net assets is primarily due to the increased liability recognized for post-employment benefits. This is the City's liability to provide health insurance for its future retirees.

The net assets of the Business-type Activities decreased by \$1,884,451 during the year ending June 30, 2011. The total unrestricted net assets of \$3,383,066 at June 30, 2010 decreased to \$1,739,631 at June 30, 2011, primarily due to the impairment loss of the intangibles.

The City's total revenues decreased by 3.8 percent, or \$1,856,276. The total cost of all programs and services increased by 9.0 percent, or \$4,131,038. The main factor leading to the decrease in revenues was a decrease in federal and state aid, an impairment loss as well as an increase in operating costs, for the electric generation facility which was started up halfway through the previous year. Our analysis in Figure 2 separately considers the operations of Governmental and Business-type Activities.

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Figure 2  
Changes in Net Assets  
(in thousands)**

|                                   | Governmental Activities |           | Business-type Activities |          | Total Primary Government |           | Percent Change |
|-----------------------------------|-------------------------|-----------|--------------------------|----------|--------------------------|-----------|----------------|
|                                   | 2011                    | 2010      | 2011                     | 2010     | 2011                     | 2010      |                |
| <b>REVENUES</b>                   |                         |           |                          |          |                          |           |                |
| <u>Program revenues:</u>          |                         |           |                          |          |                          |           |                |
| Charges for services              | \$ 12,830               | \$ 12,976 | \$ 4,374                 | \$ 3,394 | \$ 17,204                | \$ 16,370 | 5%             |
| Operating grants                  | 2,395                   | 2,296     | -                        | -        | 2,395                    | 2,296     | 4%             |
| Capital grants                    | 1,868                   | 1,291     | -                        | -        | 1,868                    | 1,291     | 45%            |
| <u>General revenues:</u>          |                         |           |                          |          |                          |           |                |
| Property taxes and tax items      | 10,962                  | 11,411    | -                        | -        | 10,962                   | 11,411    | -4%            |
| Nonproperty taxes                 | 8,958                   | 8,544     | -                        | -        | 8,958                    | 8,544     | 5%             |
| State/Federal sources             | 5,513                   | 5,466     | -                        | 2,080    | 5,513                    | 7,546     | -27%           |
| Impairment loss                   | -                       | -         | (1,721)                  | -        | (1,721)                  | -         | -100%          |
| Other                             | 1,197                   | 652       | 85                       | 207      | 1,282                    | 859       | 49%            |
| Total revenues                    | 43,723                  | 42,636    | 2,738                    | 5,681    | 46,461                   | 48,317    | -4%            |
| <b>PROGRAM EXPENSES</b>           |                         |           |                          |          |                          |           |                |
| General government                | 5,131                   | 4,877     | -                        | -        | 5,131                    | 4,877     | 5%             |
| Public safety                     | 19,228                  | 17,522    | -                        | -        | 19,228                   | 17,522    | 10%            |
| Transportation                    | 4,709                   | 3,958     | -                        | -        | 4,709                    | 3,958     | 19%            |
| Economic assistance and opp'y     | 55                      | 55        | -                        | -        | 55                       | 55        | 0%             |
| Culture and recreation            | 2,165                   | 2,155     | -                        | -        | 2,165                    | 2,155     | 0%             |
| Home and community services       | 11,934                  | 11,529    | -                        | -        | 11,934                   | 11,529    | 4%             |
| Interest on long-term debt        | 1,630                   | 1,816     | -                        | -        | 1,630                    | 1,816     | -10%           |
| Power Utility                     | -                       | -         | 1,859                    | 1,067    | 1,859                    | 1,067     | 74%            |
| Solid Waste                       | -                       | -         | 3,229                    | 2,830    | 3,229                    | 2,830     | 14%            |
| Total expenses                    | 44,852                  | 41,912    | 5,088                    | 3,897    | 49,940                   | 45,809    | 9%             |
| Excess before transfers           | (1,129)                 | 724       | (2,350)                  | 1,784    | (3,479)                  | 2,508     | -239%          |
| Transfers/capital contributions   | (466)                   | 521       | 466                      | (114)    | -                        | 407       | -100%          |
| Increase (decrease) in net assets | \$ (1,595)              | \$ 1,245  | \$ (1,884)               | \$ 1,670 | \$ (3,479)               | \$ 2,915  | -219%          |

**Governmental Activities**

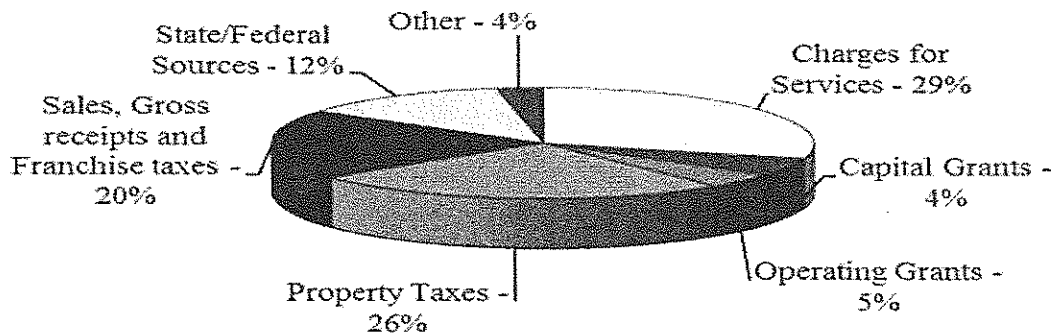
Revenues for the City's Governmental Activities increased \$99,710, or 0.2 percent, while total expenses increased \$2,939,806, or 7.0 percent.

The City has decreased its property tax rate to 11.22 in 2010-2011 versus 12.81 in 2009-2010. The City's tax levy, supported by an increase in taxable assessed valuation, increased by \$133,424,152 in 2010-2011. These amounts are included within the property taxes and tax items lines, which indicate an overall 1.5 percent increase from 2010 to 2011.

An increase of \$47,699 in state and federal sources reflects the basically stagnant state of federal and state grant sources.

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Figure 3  
Revenue by Source – Governmental Activities  
2011**

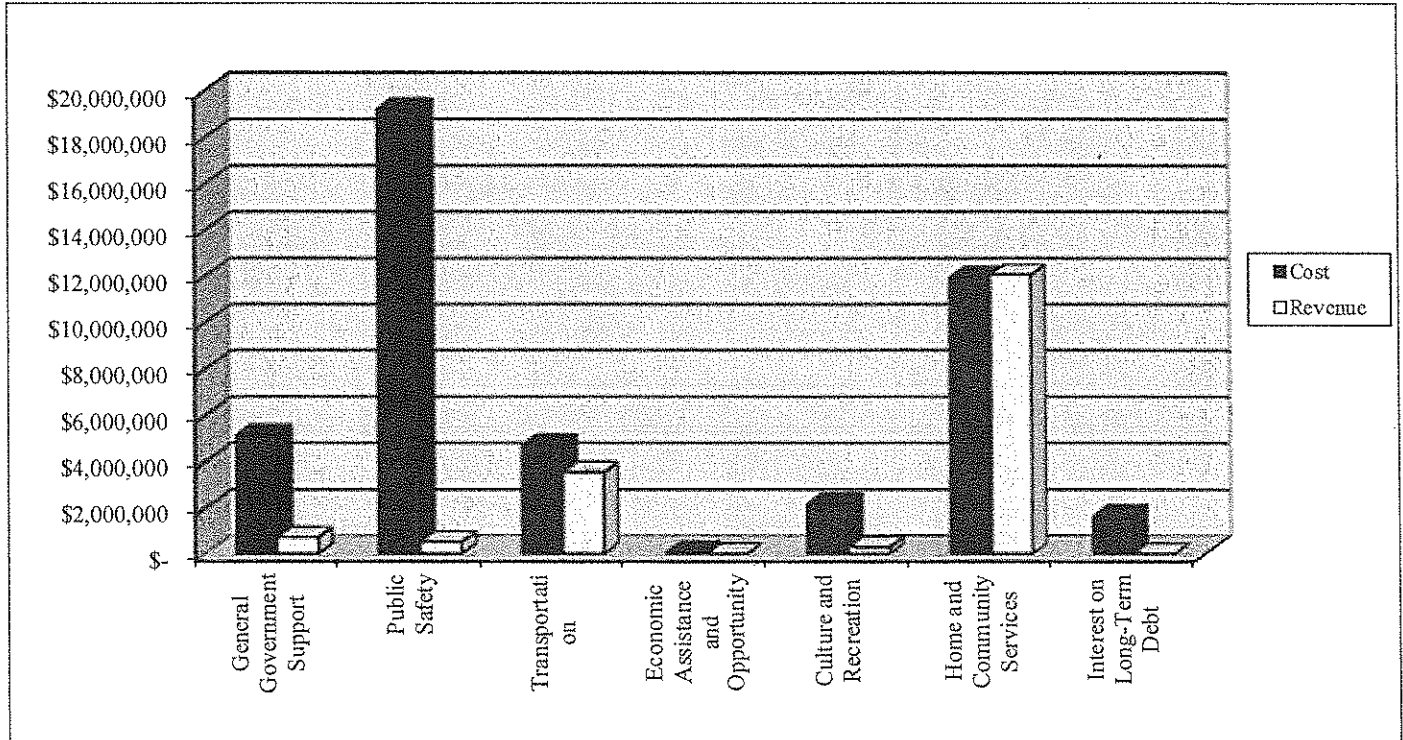


The cost of all governmental activities this year was \$44,851,913. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City property and payments in lieu of taxes was \$11,290,895, because some of the cost was paid by those who directly benefited from the programs which was \$12,830,033, or by other governments and organizations that subsidized certain programs with grants and contributions which totaled \$4,262,816. Overall, the City's governmental program revenues, including fees for services and grants, were \$17,092,849. The City paid for the remaining "public benefit" portion of governmental activities with \$26,629,684 in taxes and other revenues, such as interest and general entitlements.

The total cost less revenues generated by activities, or the net cost, for each of the City's largest programs is presented on the next page. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Figure 4  
Net Program Cost – Governmental Activities  
2011**



### Business-type Activities

Program revenues of the City's Business-type Activities (see Figure 2) increased by 27.4 percent, or \$951,970, in 2011 compared to expenses, which increased by 39.1 percent, or \$1,371,306. The primary reason for the increase in both revenues and expenses in 2011 was due to the electric co-generation facility operating for a full year for the first time.

### The City's Funds

As the City completed the year, its Governmental Funds, as presented in the balance sheets on page 16, reported a combined fund balance of \$19,377,714, which is slightly above last year's total of \$19,381,580. Figure 5 and figure 6 show the changes in fund balances for the year for the City's major funds. Of the \$19,377,714, \$5,708,700 is unassigned and available for spending at the City's discretion. The remaining nonspendable, restricted, committed and assigned fund balances are segregated to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period and a variety of other restricted purposes.

**Figure 5**

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Major Governmental Funds  
Fund Balance at Year Ended  
(in thousands)**

Major Governmental Funds - Fund Balance at Year Ending

|                          | Governmental Funds |           | Percent Change |
|--------------------------|--------------------|-----------|----------------|
|                          | 2011               | 2010      | 2011-2010      |
| General Fund             | \$ 8,882           | \$ 9,818  | -10%           |
| Sewer Fund               | 3,227              | 2,736     | 18%            |
| Special Grant Fund       | 5,884              | 5,838     | 1%             |
| Capital Projects Fund    | 177                | 5         | 3440%          |
| Other Governmental Funds | 1,207              | 984       | 23%            |
| Totals                   | \$ 19,377          | \$ 19,381 | 0%             |

**Figure 6  
Major Enterprise Funds  
Net Assets at Year Ended  
(in thousands)**

Major Enterprise Funds - Net Assets at Year Ending

|                    | Total Enterprise Funds |          | Percent Change |
|--------------------|------------------------|----------|----------------|
|                    | 2011                   | 2010     | 2011-2010      |
| Power Utility Fund | \$ 176                 | \$ 1,947 | -91%           |
| Solid Waste Fund   | 1,368                  | 1,482    | -8%            |
| Totals             | \$ 1,544               | \$ 3,429 | -55%           |

**General Fund Budgetary Highlights**

Over the course of the year, the City Council, as well as the management of the City, revised the City budget several times. These budget amendments consisted of budget transfers between functions, which do not increase the overall budget, as well as increases in estimated revenues and appropriations as follows: General Fund - \$55,000 in revenues and \$1,163,690 in expenses.

Even with these adjustments, the actual charges to appropriations (expenditures) were below the final budget amounts, with significant savings in employee benefits.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of June 30, 2011, the City had \$110,847,445, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery and equipment, streets and bridges. This amount represents a net decrease (including additions and deductions) of 0.9 percent or \$978,624 over last year's capital assets, net of accumulated depreciation.

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Figure 7  
Capital Assets, Net of Depreciation  
(in thousands)**

Capital Assets, Net of Depreciation

|                            | Governmental Activities |            | Business-type Activities |           | Total Primary Government |            |
|----------------------------|-------------------------|------------|--------------------------|-----------|--------------------------|------------|
|                            | 2011                    | 2010       | 2011                     | 2010      | 2011                     | 2010       |
| Land                       | \$ 4,253                | \$ 4,246   | \$ 420                   | \$ 420    | \$ 4,673                 | \$ 4,666   |
| Construction in progress   | 6,326                   | 9,836      | -                        | -         | 6,326                    | 9,836      |
| Buildings and improvements | 26,062                  | 25,545     | 6,941                    | 7,672     | 33,003                   | 33,217     |
| Equipment                  | 13,103                  | 13,336     | 2,244                    | 2,406     | 15,347                   | 15,742     |
| Infrastructure             | 51,237                  | 48,361     | 262                      | 4         | 51,499                   | 48,365     |
| Totals                     | \$ 100,981              | \$ 101,324 | \$ 9,867                 | \$ 10,502 | \$ 110,848               | \$ 111,826 |

The City completed several capital projects during the year ended June 30, 2011. At year-end, the City had entered into construction contracts with various vendors for total commitments outstanding of \$3,568,981, of which \$3,445,846 was committed for transportation projects. More detailed information can be found in Note 19 to the financial statements regarding these commitments.

**Debt and Long-term Liabilities**

Debt increased by \$4,983,453 and brought the total debt to \$81,790,221 as of June 30, 2011, as shown in Figure 8. Of this amount, \$30,355,938 is subject to the constitutional debt limit and represented 49.5% of the City's statutory debt limit. Other long-term liabilities consist of amounts due to employee retirement systems, compensated absences, judgments and claims payable, self-insurance liabilities, and landfill post-closure costs. The most significant change in these long-term liabilities was an increase of \$5,219,097 in serial bonds payable. More detailed information about long-term debt activity can be found in Note 11 in the notes to the financial statements.

**Figure 8  
Major Outstanding Liabilities at Year Ended  
(in thousands)**

Major Outstanding Debt at Year Ending

|                                  | Governmental Activities |           | Business-type Activities |           | Total Primary Government |           | Percent Change<br>2011-2010 |
|----------------------------------|-------------------------|-----------|--------------------------|-----------|--------------------------|-----------|-----------------------------|
|                                  | 2011                    | 2010      | 2011                     | 2010      | 2011                     | 2010      |                             |
| Serial Bonds                     | \$ 44,592               | \$ 45,141 | \$ 9,459                 | \$ 3,691  | \$ 54,051                | \$ 48,832 | 11%                         |
| BANs                             | 11,270                  | 6,504     | 1,200                    | 7,966     | 12,470                   | 14,470    | -14%                        |
| Landfill closure and postclosure | -                       | -         | 5,148                    | 4,960     | 5,148                    | 4,960     | 4%                          |
| Notes payable                    | 979                     | 1,099     | -                        | -         | 979                      | 1,099     | -11%                        |
| Lease obligations                | 902                     | 1,137     | -                        | -         | 902                      | 1,137     | -21%                        |
| Other long-term liabilities      | 8,241                   | 6,309     | -                        | -         | 8,241                    | 6,309     | 31%                         |
| Totals                           | \$ 65,984               | \$ 60,190 | \$ 15,807                | \$ 16,617 | \$ 81,791                | \$ 76,807 | 6%                          |

More detailed information about the City's liabilities is presented in Note 11 to the financial statements.

**CITY OF AUBURN, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Economic Factors and Next Year's Budgets and Rates**

The amount available for appropriation in the 2011-2012 General Fund budget is \$34,107,775, an increase of 3.6 percent over the adopted June 30, 2011, budget of \$32,921,089.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact the City Comptroller at 24 South Street, Auburn, NY.

## **Basic Financial Statements**



CITY OF AUBURN, NEW YORK  
Statement of Net Assets  
June 30, 2011

|   | Primary Government      |                          |                       | Component Units                         |                          |
|---|-------------------------|--------------------------|-----------------------|---|--------------------------|
|   | Governmental Activities | Business-type Activities | Total                 | Auburn Industrial Development Authority | Auburn Housing Authority |
| <b>ASSETS</b>   |                         |                          |                       |   |                          |
| Current assets:                                       |                         |                          |                       |   |                          |
| Cash and cash equivalents                             | \$ 16,199,307           | \$ 7,116,427             | \$ 23,315,734         | \$ 12,286                               | \$ 1,531,462             |
| Cash and cash equivalents, restricted                 | -                       | -                        | -                     | -                                       | 167,184                  |
| Investments   | 8,159                   | -                        | 8,159                 | 39,757                                  | 744,636                  |
| Investments, restricted                               | 9,292                   | -                        | 9,292                 | -                                       | 694,712                  |
| Taxes receivable, net                                 | 2,444,895               | -                        | 2,444,895             | -                                       | -                        |
| Internal balances                                     | 358,259                 | (358,259)                | -                     | -                                       | -                        |
| Due from state and federal governments                | 1,976,889               | -                        | 1,976,889             | -                                       | -                        |
| Due from other governments                            | 1,539,107               | -                        | 1,539,107             | -                                       | -                        |
| Other receivables, net                                | 3,110,113               | 436,394                  | 3,546,507             | 594,418                                 | 21,565                   |
| Loans receivable, current portion                     | 123,971                 | -                        | 123,971               | -                                       | -                        |
| Prepaid expenses                                      | -                       | -                        | -                     | -                                       | 54,052                   |
| Total current assets                                  | <u>25,769,992</u>       | <u>7,194,562</u>         | <u>32,964,554</u>     | <u>646,461</u>                          | <u>3,213,611</u>         |
| Noncurrent assets:                                    |                         |                          |                       |   |                          |
| Restricted cash and cash equivalents                  | 10,820,157              | 553,315                  | 11,373,472            | -                                       | -                        |
| Loans receivable, long-term portion                   | 3,256,055               | -                        | 3,256,055             | -                                       | -                        |
| Intangible assets, net of accumulated amortization    | -                       | 596,123                  | 596,123               | -                                       | -                        |
| Capital assets, non-depreciable                       | 10,578,531              | 420,187                  | 10,998,718            | 3,833,656                               | 726,257                  |
| Other capital assets, net of accumulated depreciation | 90,401,633              | 9,447,094                | 99,848,727            | -                                       | 6,341,197                |
| Total noncurrent assets                               | <u>115,056,376</u>      | <u>11,016,719</u>        | <u>126,073,095</u>    | <u>3,833,656</u>                        | <u>7,067,454</u>         |
| Total assets  | <u>\$ 140,826,368</u>   | <u>\$ 18,211,281</u>     | <u>\$ 159,037,649</u> | <u>\$ 4,480,117</u>                     | <u>\$ 10,281,065</u>     |

The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK  
Statement of Net Assets (continued)  
June 30, 2011

|  | Primary Government         |                             |                | Component Units                               |                                |
|--|----------------------------|-----------------------------|----------------|---|--------------------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total          | Auburn Industrial<br>Development<br>Authority | Auburn<br>Housing<br>Authority |
| <b>LIABILITIES</b>                                   |                            |                             |                |   |                                |
| Current liabilities:                                 |                            |                             |                |   |                                |
| Accounts payable                                     | \$ 2,087,226               | \$ 176,648                  | \$ 2,263,874   | \$ -  | \$ 112,943                     |
| Checks written in excess of cash balance             | -                          | 526,123                     | 526,123        | -   | -                              |
| Accrued liabilities                                  | 1,645,219                  | 105,479                     | 1,750,698      | -   | 114,940                        |
| Due to other governments                             | 1,592,615                  | -                           | 1,592,615      | -   | -                              |
| Due to employees' retirement system                  | 871,295                    | 22,225                      | 893,520        | -   | -                              |
| Bond anticipation notes payable                      | 11,269,700                 | 1,200,000                   | 12,469,700     | -   | -                              |
| Interest payable                                     | 285,111                    | 29,914                      | 315,025        | 7,650   | -                              |
| Unearned revenue                                     | 386,271                    | -                           | 386,271        | -   | 30,757                         |
| Current portion of long-term liabilities:            |                            |                             |                |   |                                |
| Lease obligations payable                            | 222,080                    | -                           | 222,080        | -   | -                              |
| Bonds payable  | 4,039,149                  | 766,600                     | 4,805,749      | 199,560                                       | 107,777                        |
| Note payable   | 130,000                    | -                           | 130,000        | -   | -                              |
| Other liabilities                                    | -                          | -                           | -              | 388,561                                       | -                              |
| Employees' retirement system note payable            | 119,173                    | -                           | 119,173        | -   | -                              |
| Compensated absences                                 | 1,936,726                  | -                           | 1,936,726      | -   | 9,584                          |
| Other postemployment benefits                        | 3,017,865                  | -                           | 3,017,865      | -   | -                              |
| Self insurance liability                             | 27,215                     | -                           | 27,215         | -   | -                              |
| Claims and judgments payable                         | 603,826                    | -                           | 603,826        | -   | -                              |
| Landfill post closure liability                      | -                          | 283,437                     | 283,437        | -   | -                              |
| Total current liabilities                            | 28,233,471                 | 3,110,426                   | 31,343,897     | 595,771                                       | 376,001                        |
| Long-term liabilities:                               |                            |                             |                |   |                                |
| Lease obligation payable                             | 679,437                    | -                           | 679,437        | -   | -                              |
| Bonds payable  | 40,552,730                 | 8,692,300                   | 49,245,030     | 3,559,962                                     | 1,082,738                      |
| Note payable   | 849,000                    | -                           | 849,000        | 125,320                                       | -                              |
| Employees' retirement system note payable            | 394,479                    | -                           | 394,479        | -   | -                              |
| Compensated absences                                 | -                          | -                           | -              | -   | 49,518                         |
| Other postemployment benefits                        | 2,142,084                  | -                           | 2,142,084      | -   | 90,627                         |
| Landfill post closure liability                      | -                          | 4,864,420                   | 4,864,420      | -   | -                              |
| Total long-term liabilities                          | 44,617,730                 | 13,556,720                  | 58,174,450     | 3,685,282                                     | 1,222,883                      |
| Total liabilities                                    | 72,851,201                 | 16,667,146                  | 89,518,347     | 4,281,053                                     | 1,598,884                      |
| <b>NET ASSETS</b>                                    |                            |                             |                |   |                                |
| Investment in capital assets,<br>net of related debt | 44,217,068                 | (195,496)                   | 44,021,572     | 148,374                                       | 5,876,939                      |
| Restricted   | 6,312,616                  | -                           | 6,312,616      | -   | 1,142,561                      |
| Unrestricted   | 17,445,483                 | 1,739,631                   | 19,185,114     | 50,690  | 1,662,681                      |
| Total net assets                                     | 67,975,167                 | 1,544,135                   | 69,519,302     | 199,064                                       | 8,682,181                      |
| Total liabilities and net assets                     | \$ 140,826,368             | \$ 18,211,281               | \$ 159,037,649 | \$ 4,480,117                                  | \$ 10,281,065                  |

The accompanying notes are an integral part of these financial statements

**CITY OF AUBURN, NEW YORK**

Statement of Activities

For the year ended June 30, 2011

|   | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |                          | Component Units                         |                          |
|---|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|---|--------------------------|
|   | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Governmental Activities | Business-type Activities | Auburn Industrial Development Authority | Auburn Housing Authority |
| <b>PRIMARY GOVERNMENT</b>                                     |                  |                      |                                    |   |                         |                          |   |                          |
| <b>Governmental activities:</b>                               |                  |                      |                                    |   |                         |                          |   |                          |
| General government support                                    | \$ 5,131,003     | \$ 716,188           | \$ -                               | \$ -  | \$ (4,414,815)          | \$ -                     | \$ -                                    | \$ (4,414,815)           |
| Public safety   | 19,227,656       | 408,796              | 111,367                            | -   | (18,707,493)            | -                        | -                                       | (18,707,493)             |
| Transportation  | 4,708,807        | 509,069              | 1,145,183                          | 1,867,504                                       | (1,187,051)             | -                        | -                                       | (1,187,051)              |
| Economic assistance and opportunity                           | 55,000           | -                    | -                                  | -   | (55,000)                | -                        | -                                       | (55,000)                 |
| Culture and recreation  | 2,165,556        | 90,909               | 192,353                            | -   | (1,882,294)             | -                        | -                                       | (1,882,294)              |
| Home and community services                                   | 11,933,755       | 11,105,071           | 946,409                            | -   | 117,725                 | -                        | -                                       | 117,725                  |
| Interest on long-term debt                                    | 1,630,136        | -                    | -                                  | -   | (1,630,136)             | -                        | -                                       | (1,630,136)              |
| Total governmental activities                                 | 44,851,913       | 12,830,033           | 2,395,312                          | 1,867,504                                       | (27,759,064)            | -                        | -                                       | (27,759,064)             |
| <b>Business-type activities:</b>                              |                  |                      |                                    |   |                         |                          |   |                          |
| Power utility fund  | 1,859,455        | 763,006              | -                                  | -   | -                       | (1,096,449)              | -                                       | (1,096,449)              |
| Solid waste   | 3,228,541        | 3,610,933            | -                                  | -   | -                       | 382,392                  | -                                       | 382,392                  |
| Total business-type activities                                | 5,087,996        | 4,373,939            | -                                  | -   | -                       | (714,057)                | -                                       | (714,057)                |
| Total primary government                                      | \$ 49,939,909    | \$ 17,203,972        | \$ 2,395,312                       | \$ 1,867,504                                    | \$ (27,759,064)         | \$ (714,057)             | \$ -                                    | \$ (28,473,121)          |
| <b>Component units:</b>                                       |                  |                      |                                    |   |                         |                          |   |                          |
| Auburn Industrial Development Authority                       | \$ 950,648       | \$ 957,958           | \$ -                               | \$ -  | -                       | -                        | \$ 7,310                                | \$ -                     |
| Auburn Housing Authority                                      | 2,868,107        | 1,560,693            | 1,114,815                          | 678,203   | -                       | -                        | -                                       | 485,604                  |
| Total component units   | \$ 3,818,755     | \$ 2,518,651         | \$ 1,114,815                       | \$ 678,203                                      | -                       | -                        | 7,310                                   | 485,604                  |
| Net (expense) revenue and changes brought forward:            |                  |                      |                                    |   | (27,759,064)            | (714,057)                | 7,310                                   | 485,604                  |
| <b>GENERAL REVENUES</b>                                       |                  |                      |                                    |   |                         |                          |   |                          |
| Real property taxes   |                  |                      |                                    |   | 10,303,487              | -                        | -                                       | 10,303,487               |
| Real property tax items                                       |                  |                      |                                    |   | 638,350                 | -                        | -                                       | 638,350                  |
| Sales taxes   |                  |                      |                                    |   | 8,149,449               | -                        | -                                       | 8,149,449                |
| Utilities gross receipts tax                                  |                  |                      |                                    |   | 421,942                 | -                        | -                                       | 421,942                  |
| Franchise taxes   |                  |                      |                                    |   | 387,111                 | -                        | -                                       | 387,111                  |
| Use of money and property                                     |                  |                      |                                    |   | 286,312                 | 36,699                   | 588                                     | 7,088                    |
| Sale of property and compensation for loss                    |                  |                      |                                    |   | (126,801)               | -                        | -                                       | (126,801)                |
| Miscellaneous local sources                                   |                  |                      |                                    |   | 1,036,374               | 47,441                   | -                                       | 1,083,815                |
| State and federal sources not restricted to specific programs |                  |                      |                                    |   | 5,513,460               | (1,720,556)              | -                                       | 5,513,460                |
| Impairment loss   |                  |                      |                                    |   | -                       | (1,720,556)              | -                                       | -                        |
| Transfers - internal activities                               |                  |                      |                                    |   | (466,022)               | 466,022                  | -                                       | -                        |
| Total general revenues and transfers                          |                  |                      |                                    |   | 26,163,662              | (1,170,394)              | 588                                     | 154,100                  |
| Change in net assets  |                  |                      |                                    |   | (1,595,402)             | (1,884,451)              | 7,898                                   | 639,704                  |
| Net assets - beginning of year                                |                  |                      |                                    |   | 69,570,569              | 3,428,586                | 191,166                                 | 7,977,098                |
| Prior period adjustment                                       |                  |                      |                                    |   | -                       | -                        | -                                       | 65,379                   |
| Net assets - end of year                                      |                  |                      |                                    |   | \$ 67,975,167           | \$ 1,544,135             | \$ 199,064                              | \$ 8,682,181             |

Net (expense) revenue and changes brought forward:

The accompanying notes are an integral part of these financial statements

**CITY OF AUBURN, NEW YORK**  
**Balance Sheet - Governmental Funds**  
**June 30, 2011**

|   | General Fund  | Sewer Fund   | Special Revenue Funds | Capital Projects Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------|--------------|-----------------------|-----------------------|------------------------------|--------------------------|
|   |               |              | Special Grant Fund    |                       |                              |                          |
| <b>ASSETS</b>                           |               |              |                       |                       |                              |                          |
| Cash and cash equivalents, unrestricted | \$ 6,750,239  | \$ 1,530,472 | \$ 2,511,099          | \$ 4,520,413          | \$ 887,084                   | \$ 16,199,307            |
| Investments                             | 3,025         | 2,750        | -                     | -                     | 2,384                        | 8,159                    |
| Investments, restricted                 | -             | -            | -                     | -                     | 9,292                        | 9,292                    |
| Taxes receivable, net                   | 2,444,895     | -            | -                     | -                     | -                            | 2,444,895                |
| Due from other funds                    | -             | 579,228      | -                     | 736,726               | 187,844                      | 1,503,798                |
| Due from state and federal governments  | 620,838       | -            | -                     | 1,356,051             | -                            | 1,976,889                |
| Due from other governments              | 1,313,255     | 95,397       | 130,455               | -                     | -                            | 1,539,107                |
| Other receivables, net                  | 117,668       | 1,617,189    | -                     | 617,874               | 757,382                      | 3,110,113                |
| Restricted cash and cash equivalents    | 4,631,492     | 197,145      | -                     | 5,929,494             | 62,026                       | 10,820,157               |
| Loans receivable, net                   | -             | -            | 3,380,026             | -                     | -                            | 3,380,026                |
| Total assets                            | \$ 15,881,412 | \$ 4,022,181 | \$ 6,021,580          | \$ 13,160,558         | \$ 1,906,012                 | \$ 40,991,743            |
| <b>LIABILITIES</b>                      |               |              |                       |                       |                              |                          |
| Accounts payable                        | \$ 473,009    | \$ 206,927   | \$ 83,110             | \$ 1,195,019          | \$ 129,161                   | \$ 2,087,226             |
| Accrued liabilities                     | 1,453,675     | 111,138      | -                     | -                     | 80,406                       | 1,645,219                |
| Due to other funds                      | 194,186       | 423,091      | 53,021                | 16,362                | 458,879                      | 1,145,539                |
| Due to other governments                | 1,591,146     | -            | 1,469                 | -                     | -                            | 1,592,615                |
| Due to retirement system                | 787,138       | 53,932       | -                     | -                     | 30,225                       | 871,295                  |
| Bond anticipation notes payable         | -             | -            | -                     | 11,269,700            | -                            | 11,269,700               |
| Deferred revenues                       | 2,500,188     | -            | -                     | 502,247               | -                            | 3,002,435                |
| Total liabilities                       | \$ 6,999,342  | \$ 795,088   | \$ 137,600            | \$ 12,983,328         | \$ 698,671                   | \$ 21,614,029            |
| <b>FUND BALANCES</b>                    |               |              |                       |                       |                              |                          |
| Nonspendable                            | -             | -            | -                     | -                     | 9,292                        | 9,292                    |
| Restricted                              | -             | 73,128       | 29,408                | -                     | 5,851                        | 108,387                  |
| Committed                               | 2,938,882     | -            | 3,256,055             | -                     | -                            | 6,194,937                |
| Assigned                                | 234,488       | 3,153,965    | 2,598,517             | 177,230               | 1,192,198                    | 7,356,398                |
| Unassigned                              | 5,708,700     | -            | -                     | -                     | -                            | 5,708,700                |
| Total fund balances                     | \$ 8,882,070  | \$ 3,227,093 | \$ 5,883,980          | \$ 177,230            | \$ 1,207,341                 | \$ 19,377,714            |
| Total liabilities and fund balances     | \$ 15,881,412 | \$ 4,022,181 | \$ 6,021,580          | \$ 13,160,558         | \$ 1,906,012                 | \$ 40,991,743            |

The accompanying notes are an integral part of these financial statements

**CITY OF AUBURN, NEW YORK**  
**Reconciliation of Governmental Fund Balances**  
**To The Statements of Net Assets**  
**June 30, 2011**

|   |                     |                             |
|---|---------------------|-----------------------------|
| <b>Total governmental fund balances</b>   |                     | <b>\$ 19,377,714</b>        |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.   |                     |                             |
| Capital assets  | \$ 166,278,674      |                             |
| Accumulated depreciation  | <u>(65,298,510)</u> | 100,980,164                 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are unearned in the funds.  |                     | 2,616,164                   |
| Certain accrued expenses reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in the Governmental Funds. |                     |                             |
| Accrued interest payable  | \$ (285,111)        |                             |
| Amounts due to employees' retirement systems  | (513,652)           |                             |
| Compensated absences  | (1,936,726)         |                             |
| Self insurance liability  | (27,215)            |                             |
| Other postemployment benefits   | (5,159,949)         |                             |
| Claims and judgments  | <u>(603,826)</u>    | (8,526,479)                 |
| Long term liabilities, including bonds payable, lease obligations payable, and a note payable, are not due and payable in the current period and, therefore, are not reported in the funds.       |                     |                             |
| Bonds payable   | \$ (44,591,879)     |                             |
| Leases payable  | (901,517)           |                             |
| Note payable  | <u>(979,000)</u>    | (46,472,396)                |
| <b>Net assets of governmental activities</b>  |                     | <b><u>\$ 67,975,167</u></b> |

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

**CITY OF AUBURN, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the year ended June 30, 2011**

|  | General Fund  | Special Revenue Funds |                    | Capital Projects Fund | Total Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------|-----------------------|--------------------|-----------------------|------------------------------------|--------------------------|
|  |               | Sewer Fund            | Special Grant Fund |                       |                                    |                          |
| <b>REVENUES</b>                            |               |                       |                    |                       |                                    |                          |
| Real property taxes                        | \$ 10,632,545 | \$ -                  | \$ -               | \$ -                  | \$ -                               | \$ 10,632,545            |
| Real property tax items                    | 658,350       | -                     | -                  | -                     | -                                  | 658,350                  |
| Nonproperty taxes                          | 8,958,502     | -                     | -                  | -                     | -                                  | 8,958,502                |
| Departmental income                        | 895,023       | 7,496,801             | 120,834            | -                     | 3,405,230                          | 11,917,888               |
| Intergovernmental charges                  | 384,583       | -                     | -                  | -                     | -                                  | 384,583                  |
| Use of money and property                  | 209,407       | 25,911                | 47,587             | -                     | 3,407                              | 286,312                  |
| Licenses and permits                       | 115,955       | -                     | -                  | -                     | -                                  | 115,955                  |
| Fines and forfeitures                      | 369,726       | -                     | -                  | -                     | -                                  | 369,726                  |
| Sale of property and compensation for loss | 202,605       | 71,474                | -                  | -                     | 25,032                             | 299,111                  |
| Miscellaneous local sources                | 148,045       | 78,083                | -                  | 626,817               | 19,207                             | 872,152                  |
| Interfund revenue                          | 50,967        | 110,000               | -                  | -                     | 3,256                              | 164,223                  |
| State sources                              | 6,733,607     | -                     | -                  | 1,464,052             | -                                  | 8,197,659                |
| Federal sources                            | 228,755       | -                     | 946,409            | 403,453               | -                                  | 1,578,617                |
| Total revenues                             | 29,588,070    | 7,782,269             | 1,114,830          | 2,494,322             | 3,456,132                          | 44,435,623               |
| <b>EXPENDITURES</b>                        |               |                       |                    |                       |                                    |                          |
| Current:                                   |               |                       |                    |                       |                                    |                          |
| General government support                 | 3,789,706     | 92,342                | -                  | -                     | 40,310                             | 3,922,358                |
| Public safety                              | 12,251,822    | -                     | -                  | -                     | -                                  | 12,251,822               |
| Transportation                             | 1,954,050     | -                     | -                  | 474,468               | -                                  | 2,428,518                |
| Economic assistance and opportunity        | 55,000        | -                     | -                  | -                     | -                                  | 55,000                   |
| Culture and recreation                     | 1,530,732     | -                     | -                  | -                     | -                                  | 1,530,732                |
| Home and community services                | 1,887,327     | 2,906,604             | 948,772            | 564,533               | 1,906,471                          | 8,213,707                |
| Employee benefits                          | 7,198,026     | 404,598               | -                  | -                     | 350,756                            | 7,953,380                |
| Debt service:                              |               |                       |                    |                       |                                    |                          |
| Debt principal                             | 2,089,865     | 1,873,194             | 120,000            | -                     | 220,728                            | 4,303,787                |
| Debt interest                              | 767,167       | 824,716               | -                  | -                     | 105,085                            | 1,696,968                |
| Capital outlay                             | -             | -                     | -                  | 5,016,295             | -                                  | 5,016,295                |
| Total expenditures                         | 31,523,695    | 6,101,454             | 1,068,772          | 6,055,296             | 2,623,350                          | 47,372,567               |
| Excess of (expenditures) revenue           | (1,935,625)   | 1,680,815             | 46,058             | (3,560,974)           | 832,782                            | (2,936,944)              |
| <b>OTHER FINANCING SOURCES (USES)</b>      |               |                       |                    |                       |                                    |                          |
| Interfund transfers in                     | 2,063,992     | -                     | -                  | 334,000               | 55,000                             | 2,452,992                |
| Interfund transfers out                    | (1,064,000)   | (1,190,000)           | -                  | -                     | (665,014)                          | (2,919,014)              |
| Proceeds from the issuance of serial bonds | -             | -                     | -                  | 3,399,100             | -                                  | 3,399,100                |
| Total other financing sources (uses)       | 999,992       | (1,190,000)           | -                  | 3,733,100             | (610,014)                          | 2,933,078                |
| Net changes in fund balances               | (935,633)     | 490,815               | 46,058             | 172,126               | 222,768                            | (3,866)                  |
| Fund balances - beginning of year          | 9,817,703     | 2,736,278             | 5,837,922          | 5,104                 | 984,573                            | 19,381,580               |
| Fund balances - end of year                | 8,882,070     | 3,227,093             | 5,883,980          | 177,230               | 1,207,341                          | 19,377,714               |

The accompanying note are an integral part of these financial statements

**CITY OF AUBURN, NEW YORK**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the year ended June 30, 2011**

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**Net change in fund balances - total governmental funds** **\$ (3,866)**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated capital outlays were greater than depreciation in the current period.

|                |                    |        |
|----------------|--------------------|--------|
| Capital outlay | \$ 5,016,295       |        |
| Depreciation   | <u>(4,933,968)</u> | 82,327 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (287,177)

Debt related proceeds provide current financial resources to Governmental Funds , but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayment of debt principal was less than the issuance of new debt. 904,686

Changes in certain liabilities reflected in the Statement of Activities do not affect current financial resources and, therefore, are not reflected in the Governmental Funds.

|  |                  |             |
|--|------------------|-------------|
| Accrued interest payable                       | \$ 66,832        |             |
| Amounts due to the employee retirement systems | 113,499          |             |
| Compensated absences                           | (68,541)         |             |
| Other postemployment benefits                  | (1,693,231)      |             |
| Self insurance liability                       | 68,033           |             |
| Claims and judgments                           | <u>(352,052)</u> | (1,865,460) |

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the sale of capital assets increase financial resources. The net effect is a gain on sale of capital assets on the Government Wide Statement of Activities vs. proceeds from the sale of capital assets on the Governmental Fund Statements. The difference between the proceeds and the gain is the net book value.

|   |  |                  |
|---|--|------------------|
| Net book value of capital asset disposals |  | <u>(425,912)</u> |
|---|--|------------------|

**Change in net assets of governmental activities** **\$ (1,595,402)**

The accompanying notes are an integral part of these financial statement

**CITY OF AUBURN, NEW YORK**  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2011**

| ASSETS   | Business-type Activities |                     |               |
|--|--------------------------|---------------------|---------------|
|  | Enterprise Funds         |                     | Total         |
|  | Power Utility<br>Fund    | Solid Waste<br>Fund |               |
| Current assets:                                    |                          |                     |               |
| Cash and cash equivalents                          | \$ -                     | \$ 7,116,427        | \$ 7,116,427  |
| Accounts receivable, net                           | 23,328                   | 413,066             | 436,394       |
| Due from other funds                               | 23,362                   | -                   | 23,362        |
| Total current assets                               | 46,690                   | 7,529,493           | 7,576,183     |
| Noncurrent assets:                                 |                          |                     |               |
| Restricted cash and cash equivalents               | -                        | 553,315             | 553,315       |
| Intangible assets, net of accumulated amortization | 596,123                  | -                   | 596,123       |
| Capital assets, non-depreciable                    | 100,800                  | 319,387             | 420,187       |
| Capital assets, net of accumulated depreciation    | 1,882,528                | 7,564,566           | 9,447,094     |
| Total non-current assets                           | 2,579,451                | 8,437,268           | 11,016,719    |
| Total assets                                       | \$ 2,626,141             | \$ 15,966,761       | \$ 18,592,902 |
| <b>LIABILITIES</b>                                 |                          |                     |               |
| Current liabilities:                               |                          |                     |               |
| Accounts payable                                   | \$ 110,998               | \$ 65,650           | \$ 176,648    |
| Checks written in excess of cash balance           | 526,123                  | -                   | 526,123       |
| Accrued liabilities                                | -                        | 105,479             | 105,479       |
| Due to other funds                                 | -                        | 381,621             | 381,621       |
| Due to employees' retirement system                | -                        | 22,225              | 22,225        |
| Bonds payable                                      | 49,800                   | 716,800             | 766,600       |
| Landfill post closure liability                    | -                        | 283,437             | 283,437       |
| Bond anticipation notes payable                    | 1,200,000                | -                   | 1,200,000     |
| Bond interest payable                              | 1,905                    | 28,009              | 29,914        |
| Total current liabilities                          | 1,888,826                | 1,603,221           | 3,492,047     |
| Non-current liabilities:                           |                          |                     |               |
| Bonds payable                                      | 561,200                  | 8,131,100           | 8,692,300     |
| Landfill post closure liability                    | -                        | 4,864,420           | 4,864,420     |
| Total non-current liabilities                      | 561,200                  | 12,995,520          | 13,556,720    |
| Total liabilities                                  | 2,450,026                | 14,598,741          | 17,048,767    |
| <b>NET ASSETS</b>                                  |                          |                     |               |
| Invested in capital assets, net of related debt    | 768,451                  | (963,947)           | (195,496)     |
| Unrestricted                                       | (592,336)                | 2,331,967           | 1,739,631     |
| Total net assets                                   | \$ 176,115               | \$ 1,368,020        | \$ 1,544,135  |

The accompanying notes are an integral part of these financial statements



**CITY OF AUBURN, NEW YORK**  
**Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds**  
**For the year ended June 30, 2011**

|  | Business-type Activities |                     |                     |
|--|--------------------------|---------------------|---------------------|
|  | Enterprise Funds         |                     | Total               |
|  | Power Utility<br>Fund    | Solid Waste<br>Fund |                     |
| <b>REVENUES</b>                          |                          |                     |                     |
| Charges for services                     | \$ 763,006               | \$ 3,610,933        | \$ 4,373,939        |
| Other operating revenue                  | 12,113                   | 35,328              | 47,441              |
| Total operating revenues                 | <u>775,119</u>           | <u>3,646,261</u>    | <u>4,421,380</u>    |
| <b>OPERATING EXPENSES</b>                |                          |                     |                     |
| Salaries and wages                       | -                        | 543,651             | 543,651             |
| Contractual services                     | 1,561,615                | 1,370,521           | 2,932,136           |
| Employee benefits                        | -                        | 257,831             | 257,831             |
| Depreciation and amortization            | 255,433                  | 892,308             | 1,147,741           |
| Total operating expenses                 | <u>1,817,048</u>         | <u>3,064,311</u>    | <u>4,881,359</u>    |
| Income (loss) from operations            | <u>(1,041,929)</u>       | <u>581,950</u>      | <u>(459,979)</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                          |                     |                     |
| Impairment loss                          | (1,720,556)              | -                   | (1,720,556)         |
| Interest revenue                         | 9,321                    | 27,378              | 36,699              |
| Interest expense                         | (42,407)                 | (164,230)           | (206,637)           |
| Total non-operating expenses             | <u>(1,753,642)</u>       | <u>(136,852)</u>    | <u>(1,890,494)</u>  |
| Net income (loss) before transfers       | (2,795,571)              | 445,098             | (2,350,473)         |
| Interfund transfers in (out)             | <u>1,025,014</u>         | <u>(558,992)</u>    | <u>466,022</u>      |
| Net decrease in net assets               | (1,770,557)              | (113,894)           | (1,884,451)         |
| Net assets - beginning of year           | <u>1,946,672</u>         | <u>1,481,914</u>    | <u>3,428,586</u>    |
| Net assets - end of year                 | <u>\$ 176,115</u>        | <u>\$ 1,368,020</u> | <u>\$ 1,544,135</u> |

The accompanying notes are an integral part of these financial statements

**CITY OF AUBURN, NEW YORK**  
**Statement of Cash Flows - Proprietary Funds**  
**For the year ended June 30, 2011**

|   | Business-type Activities |                     |              |
|---|--------------------------|---------------------|--------------|
|   | Enterprise Funds         |                     | Total        |
|   | Power Utility<br>Fund    | Solid Waste<br>Fund |              |
| <b>Cash flows from operating activities</b>   |                          |                     |              |
| Cash received from providing services   | \$ 884,525               | \$ 3,567,082        | \$ 4,451,607 |
| Cash received from other funds and other sources  | 12,113                   | 35,328              | 47,441       |
| Cash payments - employees   | -                        | (526,214)           | (526,214)    |
| Cash payments - employee benefits   | -                        | (250,378)           | (250,378)    |
| Cash payments - suppliers   | (1,047,320)              | (1,234,552)         | (2,281,872)  |
| Net cash provided by (used in) operating activities   | (150,682)                | 1,591,266           | 1,440,584    |
| <b>Cash flows from non-capital and financing activities</b>   |                          |                     |              |
| Transfers to other funds  | (220,404)                | (42,543)            | (262,947)    |
| <b>Cash flows from capital and related financing activities</b>   |                          |                     |              |
| Proceeds from debt issuances  | 1,200,000                | 6,479,900           | 7,679,900    |
| Debt payments   | (1,249,800)              | (7,428,000)         | (8,677,800)  |
| Interest expense  | (42,552)                 | (154,856)           | (197,408)    |
| Purchase of capital assets  | (344,105)                | (23,500)            | (367,605)    |
| Net cash used in capital and related financing activities   | (436,457)                | (1,126,456)         | (1,562,913)  |
| <b>Cash flows from investing activities</b>   |                          |                     |              |
| Interest income   | 9,321                    | 27,378              | 36,699       |
| Net increase (decrease) in cash and cash equivalents  | (798,222)                | 449,645             | (348,577)    |
| Cash and cash equivalents - beginning of year   | 798,222                  | 7,220,097           | 8,018,319    |
| Cash and cash equivalents - end of year   | \$ -                     | \$ 7,669,742        | \$ 7,669,742 |
| <b>Reconciliation of income from operations to net cash provided by (used in) operating activities:</b> |                          |                     |              |
| Income from operations  | \$ (1,041,929)           | \$ 581,950          | \$ (459,979) |
| Depreciation and amortization   | 255,433                  | 892,308             | 1,147,741    |
| Change in assets:   |                          |                     |              |
| Accounts receivable   | 121,519                  | (73,851)            | 47,668       |
| Due from state and federal governments  | -                        | 30,000              | 30,000       |
| Change in liabilities:  |                          |                     |              |
| Accounts payable  | (11,828)                 | (52,178)            | (64,006)     |
| Checks written in excess of cash balance  | 526,123                  | -                   | 526,123      |
| Accrued liabilities   | -                        | 17,437              | 17,437       |
| Due to employees' retirement system   | -                        | 7,453               | 7,453        |
| Landfill post closure liability   | -                        | 188,147             | 188,147      |
| Net cash provided by (used in) operating activities   | \$ (150,682)             | \$ 1,591,266        | \$ 1,440,584 |
| <b>Reconciliation of total cash and cash equivalents</b>  |                          |                     |              |
| Current assets - unrestricted cash and cash equivalents   | \$ -                     | \$ 7,116,427        | \$ 7,116,427 |
| Non-current assets - restricted cash and cash equivalents   | -                        | 553,315             | 553,315      |
| <b>Total cash and cash equivalents</b>  | \$ -                     | \$ 7,669,742        | \$ 7,669,742 |

The accompanying notes are an integral part of these financial statements

**CITY OF AUBURN, NEW YORK**  
**Statement of Net Assets - Fiduciary Funds**  
**June 30, 2011**

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**ASSETS**

|  |                  |
|--|------------------|
| Cash and cash equivalents - unrestricted | <u>\$ 80,596</u> |
|--|------------------|

**LIABILITIES**

|                    |                  |
|--------------------|------------------|
| Due to other funds | \$ 9,310         |
| Agency liabilities | <u>71,286</u>    |
| Total liabilities  | <u>\$ 80,596</u> |

The accompanying notes are an integral part of these financial statements

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the City of Auburn, New York (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Enterprise Funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**A. Financial Reporting Entity**

The City of Auburn, New York, located in Cayuga County was incorporated and its original charter enacted July 15, 1914. An amended charter was enacted and became effective January 1, 1940. The City of Auburn, New York is governed by its charter, other general laws of the State of New York ("the State"), and various local laws.

The governing body of the City consists of a Mayor and City Councilors who make up the Common Council. The City Manager is the chief executive officer, who provides for the enforcement of all general and local laws, and rules and regulations of the Council. The Comptroller is the chief fiscal officer and is responsible for the receiving, disbursing and holding of all City monies and the books of account of the City. In addition, the chief fiscal officer is responsible for the auditing and approval of payment of all lawful claims against the City.

The following basic services are provided by the City: public safety (police and fire), highways and streets, solid waste management, health, culture-recreation, public improvements, planning and zoning, utilities and general administration.

All governmental activities and functions performed for the City of Auburn, New York are its direct responsibility. The basic financial statements include all funds of the primary government, which is the City, organizations for which the primary government is financially accountable, and other organizational entities determined to be included in the City's reporting entity in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39.

**1. Related Organizations**

Related organizations include the Auburn Local Development Corporation.

The purpose of the Auburn Local Development Corporation is to plan, promote, coordinate and execute programs in the City of Auburn, New York in order to improve the quality of life for its residents.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**A. Financial Reporting Entity (continued)**

**1. Related Organizations (continued)**

This agency is excluded from the City's reporting entity for the following reasons:

- Employment and personnel are controlled by its separate agency;
- The City has no significant influence in operations;
- The City has no budgetary authority over this agency;
- The separate agency maintains control over their individual fiscal management;
- The agency does not provide a financial benefit or a financial burden to the City.

**Discretely Presented Component Units**

The accompanying financial statements present the activities of the City and its two component units, legally separate organizations for which the City is financially accountable. The decision to include a potential component unit in the City's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following two authorities have been included as discretely presented component units:

**(1) Auburn Industrial Development Authority**

The Auburn Industrial Development Authority (the "AIDA") is a public benefit corporation, established in 1969 by the state legislature to provide financial and other incentives to promote business and provide jobs in the City. The chairman of AIDA is appointed by the mayor of the City and is subject to confirmation by the City council. The City is not liable for AIDA's bonds or notes. The City is financially accountable for AIDA and provides administrative support at no cost to AIDA.

AIDA, in accordance with its corporate purpose, has issued bonds to promote and develop various businesses within the City. AIDA holds legal title to the properties, under which such bonds were issued in order for businesses to acquire or renovate facilities. These bonds represent non-recourse debt of AIDA. AIDA's primary function is to arrange financing between borrowing companies and bondholders. AIDA receives administration fees from the borrowing companies for this service.

AIDA leases facilities to businesses under capital lease arrangements since the lessee can purchase the facility at the end of the lease for a nominal amount. Each asset, property leases, is offset by a liability, bonds payable as shown on the statement of net assets. AIDA acts as an intermediary between the principal payments from the lessee and the principal payments on the bonds. AIDA does not receive or pay these monies directly.

AIDA is considered a business-type activity. The accounts for this component unit represent activity and balances for the fiscal year ended December 31, 2010. Copies of AIDA's financial statements can be obtained by writing to the City of Auburn Comptroller's Office, Auburn NY 13021.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**A. Financial Reporting Entity (continued)**

**1. Related Organizations (continued)**

**(2) Auburn Housing Authority**

The Auburn Housing Authority (the "Authority") was created in 1957, pursuant to Section 436 of Article XIII of the Public Housing Law of the State of New York. Its general purpose is to provide housing for low income residents of the City, including the development and operation of low rent public housing projects in the City. Members of the Authority are appointed by the City manager.

The City aids in the development and operation of the Authority's housing projects by granting subsidies and other aid.

The Authority is considered a business-type activity. The accounts for this component unit represent activity and balances for the fiscal year ended March 31, 2010. Copies of the Authority's financial statements can be obtained by writing to the Auburn Housing Authority, Auburn, NY 13021.

**B. Basic Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental support, public safety, transportation, culture and recreation, and home and community services are classified as governmental activities, while services relating to the power utility operations and the solid waste facility are classified as business-type activities.

**1. Government-wide Statements**

The government-wide statements include a statement of net assets and a statement of activities. These statements display information about the City and its component units. These statements include the financial activities of the overall government, except fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**B. Basic Financial Statements (continued)**

**1. Government-wide Statements (continued)**

In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the City's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipients of the goods or services offered by the programs, grants, and contributions - that are restricted to meeting the program or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the City.

The City does not allocate indirect costs. Indirect costs are reported in the function entitled "general government support."

**2. Fund Financial Statements**

The financial transactions of the City are reported in individual governmental funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position under the modified accrual basis of accounting. The following are the City's governmental funds:

**Major Governmental Funds**

**General Fund** – this fund is the principal operating fund and includes all operations not required to be recorded in other funds.

**Special Revenue Funds** – these funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following two special revenue funds are City funds:

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**B. Basic Financial Statements (continued)**

**1. Fund Financial Statements (continued)**

- (1) **Sewer Fund** – this fund was established by law to account for revenues derived from charges for sewer usage and the application of such revenues toward related operating expenses and debt retirement.
- (2) **Special Grant Fund** – this fund is used to account for Community Development Block Grants and other funding used for community development.

**Capital Projects Funds** - these funds are used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities related to general government, public safety, culture and recreation, and home and community.

**Non-Major Governmental Funds**

**Water Fund** – this fund was established by law to account for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.

**Permanent Fund** – this fund is used to account for assets donated for cemetery maintenance.

**Enterprise Funds** – these funds are used to account for electric and landfill operations. The Power Utility Fund is used to account for the activities of a hydro-electric facility and an electric generation facility powered by methane gas, these generate electricity that is used within the City and sold to local utilities. The Solid Waste Fund is used to account for disposal activities at the City's solid waste management facility. This includes administration, recycling, and disposal of waste collected by City crews.

**Fiduciary Fund Types** – these funds are used to account for assets held by the City either in a trust or through a custodial capacity.

**Agency Fund** – this fund is used to account for money and/or property received and held in the capacity of trustee, or custodian or agent, such as employee salary wage withholdings for the remittance of employee group insurance premiums.

**C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.



**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**C. Basis of Accounting/Measurement Focus (continued)**

**1. Accrual Basis**

The government-wide financial statements and the proprietary fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

**2. Modified Accrual Basis**

The governmental fund financial statements are prepared using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges.

The City considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are principal and interest on indebtedness that are not recognized as an expenditure until due, and compensated absences, such as vacation and sick leave, which vests or accumulates and are charged as an expenditure when paid.

**3. Interfund Activity**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is the chargeback of services, such as utilities, vehicle maintenance, and central costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**D. Revenues**

Substantially all governmental fund revenues are accrued.

**1. Real Property Taxes**

The authority for levying taxes for the support of the City government is derived from Article IV of the City Charter and various provisions of the Real Property Tax Law. For tax purposes, each parcel of real property is listed by owner and/or number and value is established by the assessor. Amounts to be raised by tax are balancing factors calculated from the annual budgets. Tax rates are established by the ratio of real property value taxes to be raised, and taxes are levied by the Common Council on or before July 1st. Taxes become a lien on the levy date.

Property tax revenues are recognized as revenues in the year they are levied and collected, as long as they are collected within 60 days subsequent to year end. Property taxes not collected within 60 days subsequent to year end are reported as deferred revenue in the fund financial statements.

City taxes are payable to the City Treasurer and are payable in two installments due on or before July 31 and January 31. Interest accrues on all overdue taxes but is not recognized until collected.

In December, the School District returns to the City all unpaid School taxes levied in the City in September. The City then assumes responsibility for their collection and enforcement. The City owed the School District \$1,053,759 at June 30, 2011. In May, the County returns to the City all unpaid County taxes levied in the City in February. The City then assumes responsibility for their collection and enforcement. The City owed the County \$537,319 at June 30, 2011.

In June of each year, unpaid City, School, County, and Library taxes are enforced through a tax sale held pursuant to Article IV of the Charter.

**2. Sales Taxes**

The State Department of Taxation and Finance is responsible for the administration and collection of sales tax proceeds. The State Comptroller's Office is responsible for processing payments of sales tax proceeds to the City. The State makes estimated monthly payments to the City based on prior year sales tax return information. Each quarter, the State will adjust its payment to reflect actual sales taxes collected for the quarter.

In New York State, counties and cities are authorized to levy a local sales tax, which is imposed in addition to the State sales tax of 4%. The City's sales tax levy became effective in March 1996. The City has opted to pre-empt the County in its collection of sales tax. The County's tax rate is 4%, while the City pre-empts the County at a 2% sales tax rate. As such, the City does not share with the County any of the 2% of sales taxes collected within the City and the County does not share any sales taxes collected outside the City.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**D. Revenues (continued)**

**3. State Sources**

**a) Aid and Incentives for Municipalities (AIM) Program**

The AIM program provides direct, unrestricted aid to cities, towns and villages throughout the State. The State's enacted budget provided AIM decreases ranging from 2% to 5% for municipalities based on the State's assessment of the municipality's reliance on AIM as a revenue source. All municipalities receiving AIM will also have payments reduced by an addition 1.1% to make up for the State loss in Federal Medical Assistance Percentages funding. The State will pay the City throughout the year, normally in June, December, and March. For the period April 1, 2010 through March 31, 2011 (the State's fiscal year), the City received funding of \$5,083,768.

Since the City is a distressed municipality that received over \$100,000 in additional aid, the City is required to use the AIM funding to: (i) minimize or reduce the real property tax burden; (ii) invest in economic development or infrastructure to achieve economic revitalization and generate real property tax base growth; or (iii) support investments in technology or other reengineering initiatives that permanently minimize or reduce operating expenses.

The City is required to submit a comprehensive fiscal performance plan to the Director of Budget and the Office of State Comptroller within 60 days of the City's adopted budget and is subject to compliance reviews of the accountability requirements by the State Comptroller who can withhold AIM for noncompliance with such accountability requirements. The City believes it is in compliance with all such requirements.

**b) State Grants**

The City receives grants from the State and recognizes receivables and revenue when the applicable eligibility requirements including time requirements are met. State grants are normally on a reimbursement basis for which the City has to first incur allowable costs under the applicable program to be reimbursed from the State through the grant. Grant monies received in advance of meeting the eligibility requirements are recorded as deferred revenue by the City until such eligibility requirements are met. State grants are subject to the State single audit act requirements and are subject to audit by the State for compliance with the grant requirements.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**D. Revenues (continued)**

**4. Federal Sources**

The City receives grants from the federal government, either through direct reimbursement or as a pass-through entity (such as the State) and recognizes receivables and revenue when the applicable eligibility requirements including time requirements are met. Federal grants are normally on a reimbursement basis for which the City has to first incur allowable costs under the applicable program to be reimbursed through the grant. Grant monies received in advance of meeting the eligibility requirements are recorded as deferred revenue by the City until such eligibility requirements are met. Federal grants are subject to the single audit act requirements and are subject to audit by the appropriate federal agency for compliance with the grant requirements.

**5. Departmental Income**

The City's Sewer and Water Funds recognize revenues when earned. The City charges residents and other users of the sewer and water systems a rate per cubic feet of consumption.

**6. Enterprise Fund Revenues**

The City's two business-type activities, the Power Utility Fund and Solid Waste Fund recognize revenues when earned. The City operates a hydro-electric and electric generation facility powered by methane gas to produce electricity which is used within the City and sold to users based on a rate per kWh. In addition, the City owns a landfill for which it charges residents and commercial users' fees for disposal of solid waste.

**E. Cash and Cash Equivalents**

For purposes of reporting cash flow, cash equivalents are defined as short-term investments with original maturities of three months or less. The Statement of Cash Flows - Proprietary Funds, presented on page 22, uses the direct method of reporting cash flows.

**F. Receivables**

Receivables are stated net of the estimated allowance for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federal grant programs. Other receivables represent amounts owed to the City, which include sewer rents, water rents, and assessments. The City also reports rehabilitation loans receivable, net of an allowance for uncollectible amounts of \$409,000.

**G. Investments**

Investments are stated at fair value.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
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**H. Capital Assets**

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of at least \$500 and having a useful life of greater than one year are capitalized.

The estimated useful lives for governmental capital assets are as follows:

|                         |             |
|-------------------------|-------------|
| Buildings               | 40 years    |
| Improvements            | 20-50 years |
| Machinery and equipment | 4-13 years  |
| Infrastructure          | 12-40 years |

Capital assets of business-type activities are depreciated over the following useful lives:

|                |             |
|----------------|-------------|
| Buildings      | 20-50 years |
| Improvements   | 20-50 years |
| Machinery      | 5-20 years  |
| Infrastructure | 12-40 years |

No interest on construction in progress has been capitalized.

**I. Intangible Assets**

Intangible assets subject to amortization include legal and engineering fees relating to the electric co-generation facility further described in Note 18. Accumulated amortization as of June 30, 2011 amounted to \$241,194 and amortization expense amounted to \$170,245.

**J. Insurance and Risk Management**

The City maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. No settlements exceeded insurance coverage in any of the past three years.

**K. Compensatory Absences**

Full-time, permanent employees are granted vacation and sick leave benefits and earn compensatory absences in varying amounts to specified maximums, depending on tenure with the City. Except in the event of retirement or termination, an employee is paid for these benefits as used. These benefits are budgeted annually as part of salary or overtime, and are accounted for on a pay-as-you-go basis. In the event of retirement or termination, an employee is entitled to payment for accumulated vacation and compensatory time not used. Generally, vacations must be taken in the calendar year following the calendar year in which they were earned.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**K. Compensatory Absences (continued)**

In limited circumstances, vacation may be carried over to the next calendar year. An employee is only entitled to payment of accumulated sick time, if the reason for leaving the City's employment is due to a continuing illness or injury. The City accounts for all earned but unused time in the government-wide statements under governmental activities.

**L. Other Postemployment Benefits**

In addition to pension benefits described in Note 8, the City provides other postemployment benefits for health insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and New York State General Municipal Law (GML Section 207(a)). The criterion to determine eligibility includes: years of service, employee age, and disability due to line of duty.

The City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost, with the City subsidizing the remaining costs. During the year, premiums paid (net of participant contributions) of approximately \$1,330,000 were incurred for post-retirement health care benefits for 246 participants currently eligible. An additional \$36,520 was paid to an eligible, retired firefighter under GML Section 207(a).

**M. Equity Classifications**

**Government-wide Statements**

Equity is classified as net assets and displayed in three components:

**Invested in Capital Assets, Net of Related Debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Assets** - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets** - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Fund Statements**

In the fund basis statements there are five classifications of fund balance:

**Non-spendable** - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes an endowment in the Permanent fund of \$9,292.

**CITY OF AUBURN, NEW YORK**  
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**M. Equity Classifications (continued)**

**Restricted** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The City has established the following restricted fund balances:

**A. Reserve for Encumbrances**

This reserve represents the amount of outstanding encumbrances at the end of the fiscal year to be potentially expended in the subsequent year. This reserve is accounted for in various major and non-major government fund types.

Restricted fund balances consist of the following as of June 30, 2011:

|                            |                   |
|----------------------------|-------------------|
| Reserves for encumbrances: |                   |
| Sewer fund                 | \$ 73,128         |
| Special grant fund         | 29,408            |
| Other governmental funds   | 5,851             |
|                            | <u>\$ 108,387</u> |

**Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, i.e., the Common Council.

**A. General Fund**

Amounts committed in the General fund consist of internally established reserves to mitigate uncertainties in expenditures.

**B. Special Grant Fund**

Amounts committed in the Special Grant fund consist of an internally established reserve for long-term receivables which could potentially be uncollectible.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
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**M. Equity Classifications (continued)**

**B. Special Grant Fund (continued)**

Committed fund balances consist of the following as of June 30, 2011:

|  |                     |
|--|---------------------|
| General fund:                            |                     |
| Tax stabilization reserve                | \$ 1,738,312        |
| Other postemployment benefits reserve    | 600,000             |
| Reserve for worker's compensation claims | 400,000             |
| Equipment reserve                        | 187,830             |
| Reserve for Falcon Park                  | 12,740              |
| Special grant fund:                      |                     |
| Reserve for long-term receivables        | 3,256,055           |
|  | <u>\$ 6,194,937</u> |

**Assigned** - Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as assigned fund balance in the General fund. Encumbrances reported in the General fund amounted to \$234,488.

**Unassigned** - Includes all other General fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the City.

**Order of Use of Fund Balance**

The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is used next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**N. Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, 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 treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.



**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**O. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond and note sales can only be used for the stated purpose of the borrowing. Property taxes collected for debt service payments are legally restricted for that purpose. Community Development Block Grant Funds must be used only for approved programs. Cemetery perpetual care funds cannot be expended. However, the interest earnings can be spent for cemetery maintenance functions. It is the City's policy to spend the interest earnings each fiscal year.

**P. Permanent Fund Endowment**

The Permanent Fund consists of a gift from a donor with the stipulation that the principal amount be held in perpetuity and investment earnings used for cemetery maintenance. The principal is invested in a time deposit and earnings are expended for maintenance. There are no investment gains or losses.

In accordance with the City's policy and relevant laws of New York State, actual investment earnings have been distributed during the year and the certificate has been renewed at the original principal amount.

**Q. Changes in Accounting Standards**

GASB has issued Statement 57, *OPEB Measurements*, which enables certain agent employers to use the alternative measurement method, a less complex and potentially less expensive alternative to a full actuarial valuation. The City has evaluated the statement and determined that it is not applicable.

GASB has issued Statement 60, *Service Concession Arrangements*. This Statement pertains to the transfer of a publicly owned facility to a private organization to operate and maintain in exchange for significant consideration. The City has evaluated the statement and will implement as of June 30, 2013 if, at that time, it becomes applicable to the City.

GASB has issued Statement 61, *The Financial Reporting Omnibus*. This Statement pertains to the determination of component units and the financial reporting entity, this Statement updates GASB 14. The City has evaluated the statement and will implement as of June 30, 2013.

GASB has issued Statement 62, *Codification of Pre-1989 FASB and AICPA Pronouncements*. This Statement codifies all applicable pre-1989 literature. The City has evaluated the statement and will implement as of June 30, 2013.

GASB has issued Statement 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. This Statement modifies the reporting of the Statement of Net Assets to the Statement of Financial Position to better represent assets versus deferred amounts. The City has evaluated the statement and will implement as of June 30, 2013.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Q. Changes in Accounting Standards (continued)**

GASB has issued Statement 64, *Application of Hedge Accounting and Termination Provisions*. This Statement pertains to the maintenance of a hedging relationship and therefore hedge accounting when an original contract has been terminated, the City has evaluated the statement and will implement as of June 30, 2012 if, at that time, it becomes applicable to the City.

**Note 2 - Deposits and Investments**

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. The State statutes and the City's investment policies as described below are promulgated to control the credit risk of cash deposits and investments.

City monies must be deposited in FDIC (Federal Deposit Insurance Corporation) - insured commercial banks or trust companies located within the State. The Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral (security) is required for demand and time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires that repurchase agreements be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 100 percent of the cost of the repurchase agreement.

Interest rate risk is the risk that in accordance with its investment policy, the City manages its exposures to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than six months.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. While the City does not have a specific policy for custodial credit risk, the State statutes govern the City's investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent.

The City's aggregate deposits of \$34,086,670 are either insured through the Federal Deposit Insurance Corporation (FDIC) or are collateralized with securities held by the pledging financial institution. The FDIC insurance covers all deposit accounts, including checking and savings accounts up to \$250,000 per official custodian. The City's deposits subject to FDIC insurance totals \$500,000 while the remaining is uninsured but is collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. The aggregate deposits for the discretely presented component unit, Auburn Industrial Development Authority at December 31, 2010, of \$540,402 and for the discretely presented component unit, Auburn Housing Authority at March 31, 2011 of \$2,136,132 are either insured or collateralized with securities held by the pledging financial institution.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 3 - Restricted Cash**

Restricted cash and cash equivalents, reported on the government-wide and fund financial statements, consists of \$10,622,799 of unspent debt proceeds to be used for the acquisition, construction, or renovation of capital assets and \$750,673 of cash and cash equivalents which is required collateral for the City's health insurance policy.

As of June 30, 2011, restricted cash and cash equivalents consisted of:

Governmental activities

|                               |                      |
|-------------------------------|----------------------|
| General government            | \$ 1,632,481         |
| Public safety                 | 36,407               |
| Transportation                | 6,732,576            |
| Home and community services   | 2,418,693            |
| Total governmental activities | <u>\$ 10,820,157</u> |

Business-type activities

|             |                   |
|-------------|-------------------|
| Solid waste | <u>\$ 553,315</u> |
|-------------|-------------------|

Auburn Housing Authority's restricted cash and investments are comprised of savings accounts and US Treasury Bills as follows:

|                              | Federal          |                   |                  |
|------------------------------|------------------|-------------------|------------------|
|                              | Low Rent         | DHCR              | Section 8        |
| HAP Reserve                  | \$ -             | \$ -              | \$ 60,862        |
| State reserves - investments | -                | 694,712           | -                |
| Security deposits            | 15,914           | 90,408            | -                |
| Total                        | <u>\$ 15,914</u> | <u>\$ 785,120</u> | <u>\$ 60,862</u> |

The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**Note 4 - Investments**

Investments are recorded at fair value. The City's credit policy on investments is to generally invest in insured or registered, or securities held by the City or its agent in the City's name, therefore having minimal custodial credit risk.

**CITY OF AUBURN, NEW YORK**  
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**Note 4 – Investments (continued)**

The discretely presented component unit, Auburn Industrial Development Authority, includes its short-term investments with cash and cash equivalents. Investments include marketable securities that are stated at fair market value and consist of the following at December 31, 2010:

|                                       | Cost             | Fair Value       | Unrealized<br>Gain (Loss) |
|---------------------------------------|------------------|------------------|---------------------------|
| Money Funds                           | \$ (119)         | \$ (119)         | \$ -                      |
| Short-term investment grade bond fund | 42,581           | 39,876           | (2,705)                   |
| Total investments                     | <u>\$ 42,462</u> | <u>\$ 39,757</u> | <u>\$ (2,705)</u>         |

Investments of the discretely presented component unit, Auburn Housing Authority, include investments in United States Treasury Bills, Certificates of Deposit with an original maturity of over three months and its holding with Housing Authority Risk Retention Group. Debt securities consist primarily of obligations of the U.S. Government. The investments are categorized as uninsured and unregistered with securities held by the counterparty in the entity's name or held by the counterparty's trust department (if a bank) or agent, but not in the entity's name.

A summary of investments as of March 31, 2011 follows:

|   | Cost                | Unrealized<br>Gain (Loss) | Market Value        |
|---|---------------------|---------------------------|---------------------|
| Unrestricted  |                     |                           |                     |
| Certificates of deposit                             | \$ 530,958          | \$ 1,777                  | \$ 532,735          |
| Asset backed securities                             | 200,000             | (10,300)                  | 189,700             |
| Investment - housing authority risk retention group | 22,201              | -                         | 22,201              |
|   | <u>753,159</u>      | <u>(8,523)</u>            | <u>744,636</u>      |
| Restricted - United States Treasury Bills           | <u>694,622</u>      | <u>90</u>                 | <u>694,712</u>      |
| Total investments                                   | <u>\$ 1,447,781</u> | <u>\$ (8,433)</u>         | <u>\$ 1,439,348</u> |

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 5 - Other Receivables**

Other receivables consist of the following as of June 30, 2011:

Major governmental funds:

General Fund:

|                                   |                |
|-----------------------------------|----------------|
| Accounts receivable               | \$ 1,831,272   |
| Allowance for accounts receivable | (1,713,604)    |
|                                   | <u>117,668</u> |

Special Revenue Fund - Sewer Fund:

|                        |                  |
|------------------------|------------------|
| Sewer rents receivable | 1,544,831        |
| Accounts receivable    | 72,358           |
|                        | <u>1,617,189</u> |

Capital Projects Funds:

|                      |                |
|----------------------|----------------|
| Sidewalk assessments | <u>617,874</u> |
|----------------------|----------------|

Non-major Governmental Funds:

Special Revenue Fund - Water Fund:

|                        |                |
|------------------------|----------------|
| Water rents receivable | <u>757,382</u> |
|------------------------|----------------|

|                          |                            |
|--------------------------|----------------------------|
| Total governmental funds | <u><u>\$ 3,110,113</u></u> |
|--------------------------|----------------------------|

Enterprise Funds

Power Utility Fund

|                     |                  |
|---------------------|------------------|
| Accounts receivable | <u>\$ 23,328</u> |
|---------------------|------------------|

Solid Waste Fund

|   |                 |
|---|-----------------|
| Accounts receivable                     | 465,698         |
| Allowance for uncollectible receivables | <u>(52,632)</u> |

|                        |                          |
|------------------------|--------------------------|
| Total enterprise funds | <u><u>\$ 436,394</u></u> |
|------------------------|--------------------------|

**Note 6 - Property Taxes**

At June 30, 2011, the total real property tax receivable of \$3,357,553 is offset by an allowance for uncollectible taxes of \$912,658. The remaining portion of taxes receivable is offset by unearned tax revenue of approximately \$2,210,000 in the fund financial statements and represents an estimate of the tax liens which will not be collected within the first sixty days of the subsequent year.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 6 - Property Taxes (continued)**

The 2011 real property tax levy for City purposes totaled \$10,896,224. The City is permitted by the constitution of New York State to levy taxes up to 2% of the five year average for assessed valuation for general governmental services other than the payment of debt service and capital expenditures. The constitutional tax limit of the City of Auburn, New York for the fiscal year ended June 30, 2011 was \$20,780,541 leaving a margin of \$9,884,317.

**Note 7 - Capital Assets**

A summary of changes in capital assets at June 30, 2011 follows:

|   | 6/30/2010             | Additions           | Disposals           | Reclass-<br>ifications | 6/30/2011             |
|---|-----------------------|---------------------|---------------------|------------------------|-----------------------|
| Governmental activities:                    |                       |                     |                     |                        |                       |
| Non-depreciable capital assets              |                       |                     |                     |                        |                       |
| Land  | \$ 4,245,995          | \$ 6,636            | \$ -                | \$ -                   | \$ 4,252,631          |
| Construction in progress                    | 9,836,000             | 3,598,200           | (370,900)           | (6,737,400)            | 6,325,900             |
| Total non-depreciable capital assets        | <u>14,081,995</u>     | <u>3,604,836</u>    | <u>(370,900)</u>    | <u>(6,737,400)</u>     | <u>10,578,531</u>     |
| Depreciable capital assets                  |                       |                     |                     |                        |                       |
| Buildings                                   | 28,258,517            | 130,265             |                     | 85,363                 | 28,474,145            |
| Improvements                                | 8,937,775             | 1,130,904           | -                   | -                      | 10,068,679            |
| Machinery and equipment                     | 34,225,256            | 1,340,329           | (373,427)           | 510,328                | 35,702,486            |
| Infrastructure                              | 76,503,163            | 4,951,670           | -                   | -                      | 81,454,833            |
| Total depreciable capital assets            | <u>147,924,711</u>    | <u>7,553,168</u>    | <u>(373,427)</u>    | <u>595,691</u>         | <u>155,700,143</u>    |
| Total historical cost                       | <u>162,006,706</u>    | <u>11,158,004</u>   | <u>(744,327)</u>    | <u>(6,141,709)</u>     | <u>166,278,674</u>    |
| Less accumulated depreciation               |                       |                     |                     |                        |                       |
| Buildings                                   | (8,364,967)           | (653,987)           | -                   | -                      | (9,018,954)           |
| Improvements                                | (3,286,753)           | (175,403)           | -                   | -                      | (3,462,156)           |
| Machinery and equipment                     | (20,889,024)          | (2,028,787)         | 318,415             | -                      | (22,599,396)          |
| Infrastructure                              | (28,142,213)          | (2,075,791)         | -                   | -                      | (30,218,004)          |
| Total accumulated depreciation              | <u>(60,682,957)</u>   | <u>(4,933,968)</u>  | <u>318,415</u>      | <u>-</u>               | <u>(65,298,510)</u>   |
| Governmental activities capital assets, net | <u>\$ 101,323,749</u> | <u>\$ 6,224,036</u> | <u>\$ (425,912)</u> | <u>\$ (6,141,709)</u>  | <u>\$ 100,980,164</u> |

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 7 - Capital Assets (continued)**

|  | 6/30/2010            | Additions           | Disposals       | 6/30/2011           |
|--|----------------------|---------------------|-----------------|---------------------|
| Business-type activities:                    |                      |                     |                 |                     |
| Non-depreciable capital assets               |                      |                     |                 |                     |
| Land   | \$ 420,187           | \$ -                | \$ -            | \$ 420,187          |
| Total non-depreciable capital assets         | <u>420,187</u>       | <u>-</u>            | <u>-</u>        | <u>420,187</u>      |
| Depreciable capital assets                   |                      |                     |                 |                     |
| Buildings                                    | 802,278              | -                   | -               | 802,278             |
| Improvements                                 | 22,269,987           | 57,572              | -               | 22,327,559          |
| Machinery and equipment                      | 4,042,837            | 24,448              | (30,365)        | 4,036,920           |
| Infrastructure                               | 4,470                | 261,386             | -               | 265,856             |
| Total depreciable capital assets             | <u>27,119,572</u>    | <u>343,406</u>      | <u>(30,365)</u> | <u>27,432,613</u>   |
| Total historical cost                        | <u>27,539,759</u>    | <u>343,406</u>      | <u>(30,365)</u> | <u>27,852,800</u>   |
| Less accumulated depreciation                |                      |                     |                 |                     |
| Buildings                                    | (167,650)            | (15,218)            | -               | (182,868)           |
| Improvements                                 | (15,233,221)         | (772,577)           | -               | (16,005,798)        |
| Machinery and equipment                      | (1,636,367)          | (186,331)           | 29,416          | (1,793,282)         |
| Infrastructure                               | (201)                | (3,370)             | -               | (3,571)             |
| Total accumulated depreciation               | <u>(17,037,439)</u>  | <u>(977,496)</u>    | <u>29,416</u>   | <u>(17,985,519)</u> |
| Business-type activities capital assets, net | <u>\$ 10,502,320</u> | <u>\$ (634,090)</u> | <u>\$ (949)</u> | <u>\$ 9,867,281</u> |

Depreciation expense was charged to functions as follows:

Governmental activities

|                               |                     |
|-------------------------------|---------------------|
| General governmental support  | \$ 132,906          |
| Public safety                 | 529,997             |
| Transportation                | 1,831,232           |
| Culture and recreation        | 177,453             |
| Home and community services   | 2,262,380           |
| Total governmental activities | <u>\$ 4,933,968</u> |

Business-type activities

|                                |                   |
|--------------------------------|-------------------|
| Power utility                  | \$ 85,188         |
| Solid waste                    | 892,308           |
| Total business-type activities | <u>\$ 977,496</u> |

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 8 - Pension Plans**

**Plan Descriptions**

The City of Auburn, New York participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (the "Systems"). These are cost sharing multiple-employer retirement systems.

The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers, and employees to contribute, and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as a sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and business transactions of the Systems, and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

**Funding Policies**

The Systems are noncontributory, except for employees who joined the New York State and Local Employee's Retirement System after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of the payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

In July 2000, Article 19 was added to the Retirement and Social Security Law, which provides benefit enhancement for non-state employees. Members enrolled in Tier 1 and 2 will receive an additional month of service for each year of credited service, up to a maximum of 24 months. Tier 3 and 4 members will no longer contribute 3% of their salary when they have been a member of the System for at least ten years or have ten or more years credited service.

The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

| <u>Year</u> | <u>ERS</u> | <u>PFRS</u>  |
|-------------|------------|--------------|
| 2011        | \$ 881,895 | \$ 1,900,170 |
| 2010        | 591,907    | 1,508,456    |
| 2009        | 542,701    | 1,560,122    |

The City's contributions made to the Systems were equal to 100% of the contributions required for each year.



**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 8 - Pension Plans (continued)**

On May 14, 2003, Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g. billings due February 2008 would be based on the pension value as of March 31, 2007).
- Allows one-time financing of State fiscal year 2004-2005 pension cost by permitting local governments to bond, over five years, any required contribution in excess of 7% of estimated salaries or to amortize required contributions in excess of 7% over a five year period. [Superseded by Chapter 260 of the Laws of 2004. See below.]

On July 30, 2004, Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to ten years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2006-07, the amount in excess of 10.5% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007. The City has opted to amortize \$1,118,541 of payments over ten years. As of June 30, 2011 the unamortized portion is \$513,652, with an expected amortization of \$119,173 in fiscal year 2012.

**Note 9 - Short-term Debt**

a. Bond Anticipation Notes Payable - Bond Anticipation Notes (BANs) issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that Bond Anticipation Notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The City issues Bond Anticipation Notes to finance capital improvements.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 9 - Short-term Debt (continued)**

At June 30, 2011, the City had outstanding BANs of \$12,469,700 which were issued in June 2011 at an interest rate of 1.50%, due June 2012.

|                               | <u>6/30/2010</u>     | <u>New Issues/<br/>Additions</u> | <u>Maturities/<br/>Payments</u> | <u>6/30/2011</u>     |
|-------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| Governmental activities:      |                      |                                  |                                 |                      |
| Capital project funds         | <u>\$ 6,504,100</u>  | <u>11,269,700</u>                | <u>6,504,100</u>                | <u>\$ 11,269,700</u> |
| Business-type activities:     |                      |                                  |                                 |                      |
| Power utility fund            | 1,200,000            | 1,200,000                        | 1,200,000                       | 1,200,000            |
| Solid waste fund              | <u>6,766,000</u>     | <u>-</u>                         | <u>6,766,000</u>                | <u>-</u>             |
|                               | <u>7,966,000</u>     | <u>1,200,000</u>                 | <u>7,966,000</u>                | <u>1,200,000</u>     |
| Total bond anticipation notes | <u>\$ 14,470,100</u> | <u>\$ 12,469,700</u>             | <u>\$ 14,470,100</u>            | <u>\$ 12,469,700</u> |

b. Short-term debt interest - interest on BANs in the governmental activities and business-type activities approximated \$97,000 and \$101,000, respectively, for the year ended June 30, 2011.

**Note 10 - Lease Commitments**

**Capital Leases**

A summary of changes in capital lease obligations of governmental activities follows:

|                          | <u>6/30/2010</u>    | <u>Additions</u> | <u>Payments</u>   | <u>6/30/2011</u>  |
|--------------------------|---------------------|------------------|-------------------|-------------------|
| Governmental activities: |                     |                  |                   |                   |
| Fire truck               | \$ 214,974          | \$ -             | \$ 68,731         | \$ 146,243        |
| Fire truck               | 170,394             | -                | 54,478            | 115,916           |
| Fire truck               | 630,347             | -                | 41,472            | 588,875           |
| Utility trucks           | 99,044              | -                | 48,561            | 50,483            |
| Network equipment        | 1,245               | -                | 1,245             | -                 |
| Computers                | <u>21,196</u>       | <u>-</u>         | <u>21,196</u>     | <u>-</u>          |
|                          | <u>\$ 1,137,200</u> | <u>\$ -</u>      | <u>\$ 235,683</u> | <u>\$ 901,517</u> |

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 10 - Lease Commitments (continued)**

The present value of capital leases are:

| Year Ending<br>June 30,                        |                         |
|--|-------------------------|
| 2012   | 246,485                 |
| 2013   | 199,830                 |
| 2014   | 65,976                  |
| 2015   | 65,893                  |
| 2016   | 65,807                  |
| 2017-2021                                      | 327,608                 |
| 2022-2025                                      | 65,208                  |
|  | <u>1,036,807</u>        |
| Less amount representing interest              | 135,290                 |
| Present value of future minimum lease payments | <u>\$ 901,517</u>       |
| <br>Cost of equipment                          | <br><u>\$ 1,736,526</u> |

These leases are payable from the General, Water, and Sewer funds. Items under capital leases are recorded as equipment.

**Operating Leases**

The City leases various vehicles under non-cancelable operating leases, which are not material to the City.

**Note 11 - Long-term Debt**

At June 30, 2011, the total outstanding indebtedness (bonds, BANs, notes, and leases payable) of the City aggregated \$81,790,221. Of this amount, \$30,355,938 was subject to the constitutional debt limit and represented approximately 49.5% of its debt limit.

**Serial Bonds**

The City borrows money in order to acquire land or equipment, or construct buildings and make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are given on the full faith and credit of the local government, are recorded in the government-wide financial statements and the enterprise funds. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others, for liquidation of the long-term liabilities. Serial bond liability is liquidated through the City's General, Power Utility, Solid Waste, Water, and Sewer Funds.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 11 - Long-term Debt (continued)**

**Refunding**

On July 29, 1999, the City issued \$2,111,621 in Series 1999-B serial bonds, through the Environmental Facilities Corporation (EFC), with an annual interest rate of 4.96%, with 50% interest subsidy from EFC, to refund \$1,985,000 of outstanding serial bonds, Series 1996-C, with an annual interest rate of 4.85%. Underwriting fees and other issuance costs were \$149,402. The net proceeds were deposited in a refunding escrow account, and are used to make debt service payments on the refunded bonds. Both the old and new debt continues to be reported on the financial statements. These bonds were once again refunded on June 24, 2010 with an interest rate of ranging between .872% and .972% with a 50% interest subsidy and a savings of \$6,217 in interest costs. The bonds are due April 15, 2012.

**Compensated Absences**

Represents the value of the earned and unused portion of the liability for employee compensated absences. The City's General, Water, Sewer, and Solid Waste Funds liquidate this liability.

**Claims and Judgments**

Represents the estimated liability for claims for workers' compensation that have been incurred but not reported. The City's General Fund liquidates this liability. See Note 14 for more information concerning this liability.

**Self-Insurance Liability**

Represents the City's estimated liability for claims for property, casualty and professional liability. The City's General Fund liquidates this liability. See Note 14 for more information concerning this liability.

**HUD Section 108 Note**

The City has taken advantage of an advance under a Variable Fixed Rate Note guaranteed pursuant to Section 108 of the Housing and Community Development Act of 1974. The Special Grant Fund liquidates this liability.

**Due to Employees' Retirement System**

Represents the portion of the liability to the various state retirement systems. The City's General, Solid Waste, Water, and Sewer Funds liquidate this liability.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 11 - Long-term Debt (continued)**

**Changes in Indebtedness**

A summary of changes in the City's indebtedness is as follows:

|                                   | 6/30/2010    | New Issues/<br>Additions | Maturities/<br>Payments | 6/30/2011    | Amount Due<br>Within<br>One Year |
|-----------------------------------|--------------|--------------------------|-------------------------|--------------|----------------------------------|
| Governmental activities:          |              |                          |                         |              |                                  |
| General obligation bonds          | \$45,140,882 | \$ 3,212,000             | \$ 3,761,003            | \$44,591,879 | \$ 4,039,149                     |
| HUD Section 108 note payable      | 1,099,000    | -                        | 120,000                 | 979,000      | 130,000                          |
| Other long-term liabilities:      |              |                          |                         |              |                                  |
| Due to employees                  |              |                          |                         |              |                                  |
| retirement systems                | 627,151      | -                        | 113,499                 | 513,652      | 119,173                          |
| Lease obligations payable         | 1,137,200    | -                        | 235,683                 | 901,517      | 222,080                          |
| Other postemployment benefits     | 3,466,718    | 3,106,539                | 1,413,308               | 5,159,949    | 3,017,865                        |
| Judgments and claims payable      | 251,774      | 404,165                  | 52,113                  | 603,826      | 603,826                          |
| Compensated absences              | 1,868,185    | 1,936,726                | 1,868,185               | 1,936,726    | 1,936,726                        |
| Self insurance liability          | 95,248       | 10,712                   | 78,745                  | 27,215       | 27,215                           |
| Total other long-term liabilities | 7,446,276    | 5,458,142                | 3,761,533               | 9,142,885    | 5,926,885                        |
| Total indebtedness                | \$53,686,158 | \$ 8,670,142             | \$ 7,642,536            | \$54,713,764 | \$10,096,034                     |
| Business-type activities:         |              |                          |                         |              |                                  |
| General obligation bonds:         |              |                          |                         |              |                                  |
| Solid Waste Fund                  | \$ 3,030,000 | \$ 6,479,900             | \$ 662,000              | \$ 8,847,900 | \$ 716,800                       |
| Power Utility Fund                | 660,800      | -                        | 49,800                  | 611,000      | 49,800                           |
| Total general obligation bonds    | 3,690,800    | -                        | 711,800                 | 9,458,900    | 766,600                          |
| Other long-term liabilities:      |              |                          |                         |              |                                  |
| Landfill post closure liability   | 4,959,710    | 1,333,351                | 1,145,204               | 5,147,857    | 283,437                          |
| Total indebtedness                | \$ 8,650,510 | \$ 1,333,351             | \$ 1,857,004            | \$14,606,757 | \$ 1,050,037                     |

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 11 - Long-term Debt (continued)**

**Debt Maturity Schedules**

The following is a summary of bonds outstanding at June 30, 2011 with corresponding maturity schedules:

| <u>Bonds Payable</u>           | <u>Issue Date</u> | <u>Maturity</u> | <u>Interest</u> | <u>Balance</u>       |
|--------------------------------|-------------------|-----------------|-----------------|----------------------|
| Public Improvement             | 02/27/96          | 06/15/12        | 4.0%-5.125%     | \$ 209,459           |
| Public Improvement             | 02/27/96          | 06/15/12        | 6.625%-7.250%   | 100,000              |
| Public Improvement             | 11/01/96          | 11/01/11        | 4.800%-5.000%   | 140,000              |
| Public Improvement             | 06/16/00          | 06/15/15        | 5.375%-5.500%   | 800,000              |
| Water Pollution                | 07/01/99          | 11/01/18        | 0.00%           | 3,295,000            |
| Public Improvement             | 03/15/01          | 03/01/22        | 0.00%           | 113,141              |
| Public Improvement             | 04/12/01          | 03/01/17        | 0.00%           | 248,679              |
| Sewer Refunding                | 06/20/02          | 05/15/24        | 1.414%-1.941%   | 21,870,000           |
| Sewer Refunding                | 06/20/02          | 11/15/24        | 1.326%-1.632%   | 675,000              |
| NYS EFC                        | 03/13/03          | 04/15/17        | .801%-2.137%    | 740,000              |
| Public Improvement             | 06/01/03          | 06/01/23        | 3.25%-4.125%    | 3,380,000            |
| NYS EFC                        | 07/24/03          | 01/15/24        | .721%-3.338%    | 1,035,000            |
| NYS EFC                        | 07/24/03          | 01/15/24        | .790%-4.500%    | 1,725,000            |
| Public Improvement             | 06/01/06          | 06/01/26        | 4.125%-4.200%   | 3,280,000            |
| Public Improvement             | 06/01/08          | 06/01/22        | 1.990%-2.570%   | 2,830,000            |
| NYPA Energy Conservation       | 03/01/09          | 03/01/29        | 1.92%           | 3,742,500            |
| Landfill                       | 6/24/2010         | 04/15/12        | 3.09%           | 175,000              |
| Public Improvement             | 6/1/2011          | 06/01/23        | 2%-4%           | 9,692,000            |
| Total general obligation bonds |                   |                 |                 | <u>\$ 54,050,779</u> |

The following table summarizes the City's future debt service requirements for bonds for June 30,

| <u>Years</u><br><u>Ending</u> | <u>Governmental Activities</u> |                     |                     | <u>Business-type Activities</u> |                     |                  |
|-------------------------------|--------------------------------|---------------------|---------------------|---------------------------------|---------------------|------------------|
|                               | <u>Principal</u>               | <u>Interest</u>     | <u>Subsidy</u>      | <u>Principal</u>                | <u>Interest</u>     | <u>Subsidy</u>   |
| 2012                          | \$ 4,039,149                   | \$ 1,503,944        | \$ 553,899          | \$ 1,286,700                    | \$ 384,627          | \$ 18,311        |
| 2013                          | 3,676,117                      | 1,155,862           | 507,564             | 1,137,800                       | 328,185             | 13,589           |
| 2014                          | 3,683,713                      | 1,071,823           | 472,824             | 1,149,800                       | 285,374             | 10,980           |
| 2015                          | 3,673,379                      | 978,530             | 434,000             | 829,800                         | 249,623             | 8,371            |
| 2016                          | 3,623,115                      | 885,718             | 397,102             | 849,800                         | 218,452             | 5,653            |
| 2017-2021                     | 16,526,280                     | 3,003,234           | 1,385,683           | 4,064,600                       | 599,488             | 2,827            |
| 2022-2026                     | 8,728,977                      | 696,004             | 298,311             | 140,400                         | 18,601              | -                |
| 2027-2030                     | 641,149                        | 10,694              | -                   | -                               | -                   | -                |
|                               | <u>\$44,591,879</u>            | <u>\$ 9,305,809</u> | <u>\$ 4,049,383</u> | <u>\$ 9,458,900</u>             | <u>\$ 2,084,350</u> | <u>\$ 59,731</u> |

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 11 - Long-term Debt (continued)**

Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements. The interest subsidy column reflects 50% of the amount of interest the City is required to pay on various bonds, which is subsidized by the NYS Environmental Facilities Corporation, a public benefit corporation within the State.

The following table summarizes the City's future debt service requirements for notes for June 30:

| Years<br>Ending | Governmental Activities |                   |                     |
|-----------------|-------------------------|-------------------|---------------------|
|                 | Principal               | Interest          | Total               |
| 2012            | \$ 130,000              | 37,868            | \$ 167,868          |
| 2013            | 140,000                 | 32,958            | 172,958             |
| 2014            | 150,000                 | 27,284            | 177,284             |
| 2015            | 160,000                 | 20,972            | 180,972             |
| 2016            | 170,000                 | 13,979            | 183,979             |
| 2017-2020       | 229,000                 | 7,383             | 236,383             |
|                 | <u>\$ 979,000</u>       | <u>\$ 140,444</u> | <u>\$ 1,119,444</u> |

Interest paid on notes varies from year to year, in accordance with the interest rates specified in the note agreements.

For the year ended June 30, 2011, the City of Auburn, New York recognized interest expense from long-term debt of \$1,630,136 for governmental activities and \$206,637 for business-type activities.

**Note 12 - Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental funds financial statements generally reflect such transactions as transfers whereas the proprietary funds record such transactions as non-operating revenues or expenses. The City generally maintains its cash in few accounts, whereby the City pools its cash to provide both cash flow and interest income maximization across the City as a whole.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 12 - Interfund Transactions (continued)**

The City also loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

|                              | Interfund<br>Receivables | Interfund<br>Payables | Interfund<br>Transfers In | Interfund<br>Transfers Out |
|------------------------------|--------------------------|-----------------------|---------------------------|----------------------------|
| Governmental funds:          |                          |                       |                           |                            |
| General Fund                 | \$ -                     | \$ 194,186            | \$ 2,063,992              | \$ 1,064,000               |
| Sewer Fund                   | 579,228                  | 423,091               | -                         | 1,190,000                  |
| Special Grant Fund           | -                        | 53,021                | -                         | -                          |
| Capital Projects Fund        | 736,726                  | 16,362                | 334,000                   | -                          |
| Non-Major governmental funds | 187,844                  | 458,879               | 55,000                    | 665,014                    |
| Total governmental funds     | <u>1,503,798</u>         | <u>1,145,539</u>      | <u>2,452,992</u>          | <u>2,919,014</u>           |
| Enterprise funds:            |                          |                       |                           |                            |
| Power Utility Fund           | 23,362                   | -                     | 1,025,014                 | -                          |
| Solid Waste Fund             | -                        | 381,621               | -                         | 558,992                    |
| Total Enterprise funds       | <u>23,362</u>            | <u>381,621</u>        | <u>1,025,014</u>          | <u>558,992</u>             |
| Total                        | <u>\$ 1,527,160</u>      | <u>\$ 1,527,160</u>   | <u>\$ 3,478,006</u>       | <u>\$ 3,478,006</u>        |

**Note 13 - Other Postemployment Benefits**

The City provides postemployment (health insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit coverage is a self-funded medical and prescription drug plan for retirees. The benefit levels, employee contributions and employer contributions are governed by the City's contractual agreements.

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, in the fiscal year ended June 30, 2009. This required the City to calculate and record a net other postemployment benefit obligation at year-end. The net other postemployment benefit obligation is the cumulative difference between the actuarially required contribution and the actual contributions made.

The City recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2011 the City recognized approximately \$1,330,000 for its share of insurance costs for currently enrolled retirees. The City's plan is a single-employer postemployment benefit plan. There is not a separate, audited GAAP postemployment benefit plan report.

The City has obtained an actuarial valuation report as of June 30, 2010 which indicates that the liability for other postemployment benefits is \$5,159,949, which is reflected in the Statement of Net Assets.



**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 13 - Other Postemployment Benefits (continued)**

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

|  | June 30, 2011       |
|--|---------------------|
| Annual required contribution               | \$ 3,017,865        |
| Interest on net OPEB obligation            | 88,674              |
| Adjustment to annual required contribution | (78,553)            |
| Annual OPEB cost                           | <u>3,027,986</u>    |
| Contributions made                         | <u>(1,334,755)</u>  |
| Increase in net OPEB obligation            | 1,693,231           |
| Net OPEB obligation - beginning of year    | <u>3,466,718</u>    |
| Net OPEB obligation - end year             | <u>\$ 5,159,949</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2011 and the two preceding years are as follows:

|                   |                     |               | % of Annual              |                        |
|-------------------|---------------------|---------------|--------------------------|------------------------|
| Fiscal year ended | Annual<br>OPEB Cost | Contributions | OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
| June 30, 2011     | \$ 3,027,986        | \$ 1,334,755  | 44.1%                    | \$ 5,159,949           |
| June 30, 2010     | 3,027,986           | 1,334,755     | 44.1%                    | 3,466,718              |
| June 30, 2009     | 3,188,901           | 1,415,414     | 44.4%                    | 1,773,487              |

Funded Status and Funding Progress: As of June 30, 2011, the plan was 0% funded. The actuarial accrued liability for benefits was \$45,087,588, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$45,087,588. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$12.5 million, and the ratio of the UAAL to the covered payroll was approximately 361%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 13 - Other Postemployment Benefits (continued)**

GASB Statement No. 45 requires a supplementary schedule of funding progress which presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City has not begun to fund the liability which is not required by GASB Statement No. 45. In addition, New York State has not yet set up a trust fund to allow for funding.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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 June 30, 2010, the most recent actuarial valuation, the Entry Age Normal Method was used. The actuarial assumptions included a 0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% for medical reduced by decrements to an ultimate rate of 5% after 30 years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open group basis. The remaining amortization period at June 30, 2011, was 29 years.

**Note 14 - Self Insurance and Contingent Liabilities**

**Workers' Compensation and Professional Liability Claims**

The City's policy is to record expenditures for workers' compensation claims in the governmental fund from which they are paid. During the current year, the City has accrued \$27,215 of workers' compensation claims which are expected to become due within one year.

**Judgments and Claims**

As of June 30, 2011, the City has estimated a liability for judgments and claims of approximately \$603,000. The City has accrued approximately \$603,000 in claims, and no pending certiorari claims, this liability is included in property, casualty and professional liability. In the past three years, no settlements exceeded insurance coverage, all claims are expected to become due within one year.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**Note 14 - Self Insurance and Contingent Liabilities (continued)**

The schedule below presents the changes in claims liabilities for the past two years for the property, casualty, professional liability, and police and fire workers' compensation:

|  | Property, Casualty and<br>Professional Liability |                   | Police and Fire Workers'<br>Compensation |                  |
|--|--|-------------------|--|------------------|
|  | 2011   | 2010              | 2011                                     | 2010             |
| Unpaid claims and claim adjustment<br>expenses - beginning of year                   | \$ 251,774                                       | \$ 263,092        | \$ 95,248                                | \$ 102,513       |
| Provisions and changes in provisions for<br>claims and claim adjustment expenses:    | 404,165  | 69,191            | (10,544)                                 | 187,182          |
| Payments on claims and claims adjustment<br>expenses attributable to insured events: | <u>52,113</u>                                    | <u>80,509</u>     | <u>57,489</u>                            | <u>194,447</u>   |
| Total unpaid claims and claim<br>adjustment expenses - end of year                   | <u>\$ 603,826</u>                                | <u>\$ 251,774</u> | <u>\$ 27,215</u>                         | <u>\$ 95,248</u> |

**Note 15 - Landfills - Closure and Post Closure Care Costs**

State and Federal laws and regulations require the City to place a final cover on its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. In accordance with these regulations, the City had previously adopted Governmental Accounting Standards No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs."

Although closure and post closure care cost will be paid near or after the date the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operation expense in each period based on landfill capacity used.

The \$5.1 million reported as landfill closure and post closure care liability at June 30, 2011 represents approximately \$1.1 million anticipated closing costs and \$2.9 million post closure costs and \$1.1 million of post closure care monitoring for landfill site #1, which was closed September, 1992.

The \$4.0 million of the total anticipated closing costs for landfill site #2 is based on 79% usage (billed) for landfill site #2 as the estimated capacity is filled. Actual cost may be different due to inflation, changes in technology, or changes in regulations. Post closure monitoring care costs remaining to be recognized are estimated to be \$2,985,000. Estimated closure costs remaining to be recognized are \$1,063,000.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 15 - Landfills - Closure and Post Closure Care Costs (continued)**

The anticipated remaining life of landfill #2, including cell 4, is about seven years, based on maximum permitted tonnage of 96,000 tons per year, which is currently being utilized.

The unfunded liability for post closure costs is accounted for on an annual basis by appropriation of the necessary funds in the City operating budget. There is a resulting reduction in the amount of the unfunded liability with each year's budget appropriation.

Closure costs for cells 1, 2, 3 and 4 of landfill site #2 will be met primarily with the issuance of bonds and available cash reserves at the time of closure. The City has obtained the certification required for compliance with the Financial Assurance Requirements for Local Government Owners/Operators of Municipal Solid Waste Landfills.

**Note 16 - Deferred Compensation**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Employees Benefit Services Corporation (PEBSCO). The City had adopted the changes to its deferred compensation plan that bring the Plan in compliance with the requirements of subsection (G) of IRS section 457 and GASB Statement No. 32.

The Plan is available to all full-time and permanent part-time City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death, or unforeseeable emergency.

The City and Nationwide Trust Company, FSB, entered into a trust agreement on November 17, 1999. The City adopted a model plan, which requires all amounts of deferred compensation be held in trust for the exclusive benefit of its participants and their beneficiaries. The City has designated Nationwide Trust Company, FSB, as trustee in accordance with the New York State Deferred Compensation Board Rules and Regulations, as set forth at Part 9000 to Part 9006 of Subtitle II Title 9 NYCRR (the "Regulations" as published in the State Register on July 1, 1999, with an effective date of October 1, 1999) and Section 457 (g) of the Internal Revenue Code of 1986, as amended (the "Code") to hold these group annuity contracts under the City of Auburn's Model Plan for the exclusive benefit of participants and their beneficiaries.

At no time will any part of the corpus or income of the Trust Fund be used or delivered for purposes other than for the exclusive benefit of employees and their beneficiaries. The Trust Fund cannot revert to the State or City until all plan benefits have been paid to participants or beneficiaries.

**Note 17 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**CITY OF AUBURN, NEW YORK**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 17 - Contingent Liabilities (continued)**

The City is a defendant in various other lawsuits. Although the outcome of these suits is not presently determinable, in the opinion of the City's Corporation Counsel, the resolution of these matters will not have a material adverse effect on the financial condition or results of operations.

**Note 18 - Commitments**

As of June 30, 2011, the City had outstanding contracts with various vendors for the construction of the following capital projects:

|                    |           |                  |
|--------------------|-----------|------------------|
| Transportation     | \$        | 3,445,846        |
| Home and community |           | 123,135          |
|                    | <u>\$</u> | <u>3,568,981</u> |

The City has a fifteen year Energy Services Agreement (ESA) to purchase all electricity from Auburn Energy, LLC electric co-generation facility (the facility) at the rate of \$.06 per kilowatt-hour (kWh) through 2024. The rate of \$.06 per kWh was established in the ESA and required a payment of \$1,900,000 by the City to Auburn Energy, LLC to "buy down" the rate to the amount specified in the agreement. The ESA states the facility will produce, and the City will purchase, a minimum of 17,520,000 kWh per year resulting in an annual commitment of approximately \$1,050,000 in electricity purchases by the City.

The City is also required to provide methane gas produced by the landfills to the Auburn Energy, LLC facility which is then converted to electricity. In the event that there is not enough methane produced to generate 17,520,000 kWh per year, the methane must be supplemented with natural gas at the City's cost. During fiscal 2011, approximately \$18,800 of natural gas was purchased to supplement the methane produced by the landfills. Should the landfills produce enough methane to generate over the minimum required kWh per year, the rate to purchase additional electricity over the annual minimum will be reduced as described in the agreement. At the termination of the contract, the City may elect to purchase the co-generation facility at fair market value.

The above rate buy down payment of \$1,900,000 to Auburn Energy, LLC, previously capitalized as intangible asset, was written off as an impairment loss during fiscal 2011 and reported in the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.

## **Required Supplementary Information**

**CITY OF AUBURN, NEW YORK**  
**Budgetary Comparison Schedule**  
**General Fund - Non-GAAP Budget Basis**  
**For the year ended June 30, 2011**

|  | Original<br>Budget | Final<br>Budget     | Actual              | Variance            |
|--|--------------------|---------------------|---------------------|---------------------|
| <b>REVENUES</b>  |                    |                     |                     |                     |
| Real property taxes  | \$ 10,549,970      | \$ 10,549,970       | \$ 10,632,545       | \$ 82,575           |
| Real property tax items  | 637,000            | 637,000             | 658,350             | 21,350              |
| Nonproperty tax items  | 8,750,000          | 8,750,000           | 8,958,502           | 208,502             |
| Departmental income  | 807,000            | 807,000             | 895,023             | 88,023              |
| Intergovernmental charges  | 297,060            | 327,060             | 384,583             | 57,523              |
| Use of money and property  | 185,000            | 185,000             | 209,407             | 24,407              |
| Licenses and permits   | 124,050            | 124,050             | 115,955             | (8,095)             |
| Fines and forfeitures  | 351,800            | 351,800             | 369,726             | 17,926              |
| Sale of property and compensation for loss   | 211,500            | 211,500             | 202,605             | (8,895)             |
| Miscellaneous local sources  | 234,200            | 234,200             | 148,045             | (86,155)            |
| Interfund revenues   | 160,000            | 160,000             | 50,967              | (109,033)           |
| State sources  | 6,176,095          | 6,201,095           | 6,733,607           | 532,512             |
| Federal sources  | 242,414            | 242,414             | 228,755             | (13,659)            |
| Total revenues   | <u>28,726,089</u>  | <u>28,781,089</u>   | <u>29,588,070</u>   | <u>806,981</u>      |
| <b>EXPENDITURES</b>  |                    |                     |                     |                     |
| General governmental support   | 4,023,000          | 4,158,450           | 3,770,513           | (387,937)           |
| Public safety  | 10,859,793         | 11,875,864          | 12,105,598          | 229,734             |
| Transportation   | 1,956,870          | 2,105,703           | 1,892,581           | (213,122)           |
| Economic assistance and opportunity  | 55,000             | 55,000              | 55,000              | -                   |
| Culture and recreation   | 1,626,512          | 1,672,371           | 1,533,554           | (138,817)           |
| Home and community services  | 1,177,791          | 1,352,267           | 1,847,407           | 495,140             |
| Employee benefits  | 9,662,912          | 9,654,517           | 7,198,026           | (2,456,491)         |
| Debt service - principal and interest  | 3,069,211          | 2,869,960           | 2,857,032           | (12,928)            |
| Total expenditures   | <u>32,431,089</u>  | <u>33,744,132</u>   | <u>31,259,711</u>   | <u>(2,484,421)</u>  |
| Excess of (expenditures) revenues  | <u>(3,705,000)</u> | <u>(4,963,043)</u>  | <u>(1,671,641)</u>  | <u>3,291,402</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                    |                     |                     |                     |
| Interfund transfers in   | 2,970,000          | 2,970,000           | 2,063,992           | (906,008)           |
| Transfer from tax stabilization reserve  | 1,225,000          | 3,234,038           | -                   | (3,234,038)         |
| Interfund transfers out  | <u>(490,000)</u>   | <u>(1,748,251)</u>  | <u>(1,064,000)</u>  | <u>684,251</u>      |
| Total other financing sources  | <u>3,705,000</u>   | <u>4,455,787</u>    | <u>999,992</u>      | <u>(3,455,795)</u>  |
| Excess of revenues and other financing sources<br>over (expenditures) and other (uses) | <u>\$ -</u>        | <u>\$ (507,256)</u> | <u>(671,649)</u>    | <u>\$ (164,393)</u> |
| Net change in encumbrances   |                    |                     | <u>(263,984)</u>    |                     |
| Net change in fund balance   |                    |                     | (935,633)           |                     |
| Fund balances - beginning of year  |                    |                     | <u>9,817,703</u>    |                     |
| Fund balances - end of year  |                    |                     | <u>\$ 8,882,070</u> |                     |

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF AUBURN, NEW YORK**  
**Budgetary Comparison Schedule**  
**Budgeted Major Special Revenue Fund - Non-GAAP Budget Basis**  
**For the year ended June 30, 2011**

|  | Sewer Fund          |                     |                     |                       |
|--|---------------------|---------------------|---------------------|-----------------------|
|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance              |
| <b>REVENUES</b>  |                     |                     |                     |                       |
| Departmental income  | \$ 7,567,500        | \$ 7,567,500        | \$ 7,496,801        | \$ (70,699)           |
| Use of money and property  | 8,500               | 8,500               | 25,911              | 17,411                |
| Sale of property and compensation for loss   | -                   | -                   | 71,474              | 71,474                |
| Miscellaneous local sources  | 10,000              | 10,000              | 78,083              | 68,083                |
| Interfund revenues   | 110,000             | 110,000             | 110,000             | -                     |
| Total revenues   | <u>7,696,000</u>    | <u>7,696,000</u>    | <u>7,782,269</u>    | <u>86,269</u>         |
| <b>EXPENDITURES</b>  |                     |                     |                     |                       |
| General governmental support   | 223,550             | 223,550             | 92,342              | (131,208)             |
| Home and community services  | 4,004,703           | 4,104,800           | 2,905,634           | (1,199,166)           |
| Employee benefits  | 579,237             | 553,238             | 404,598             | (148,640)             |
| Debt service - principal and interest  | 2,888,510           | 2,888,510           | 2,697,910           | (190,600)             |
| Total expenditures   | <u>7,696,000</u>    | <u>7,770,098</u>    | <u>6,100,484</u>    | <u>(1,669,614)</u>    |
| Excess of revenues (expenditures)  | <u>-</u>            | <u>(74,098)</u>     | <u>1,681,785</u>    | <u>1,755,883</u>      |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                     |                     |                     |                       |
| Interfund transfers out  | (905,000)           | (905,000)           | (1,190,000)         | (285,000)             |
| Capital reserves   | (50,000)            | (50,000)            | -                   | 50,000                |
| Total other financing (uses) sources   | <u>(905,000)</u>    | <u>(905,000)</u>    | <u>(1,190,000)</u>  | <u>(285,000)</u>      |
|  |                     |                     |                     | -                     |
| Excess of revenues and other financing sources<br>over (expenditures) and other (uses) | <u>\$ (905,000)</u> | <u>\$ (979,098)</u> | 491,785             | <u>\$ (1,470,883)</u> |
| Net change in encumbrances   |                     |                     | (970)               |                       |
| Net change in fund balance   |                     |                     | 490,815             |                       |
| Fund balances - beginning of year  |                     |                     | <u>2,736,278</u>    |                       |
| Fund balances - end of year  |                     |                     | <u>\$ 3,227,093</u> |                       |

The notes to the required supplementary information are an integral part of this schedule.



**CITY OF AUBURN, NEW YORK**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2011**

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**Note 1 - Budget Basis of Accounting**

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

1. Annual operating budgets are maintained for the following Governmental Fund Types:
  - General Fund
  - Special Revenue Funds (Water and Sewer Funds)

The Special Grant Fund (in Special Revenue Funds) and other Governmental Fund types do not have annual budgets, as grant awards and revenues received under other contractual requirements recorded in these funds span more than a single fiscal year.

The City Charter requires that operating budgets be submitted to the Mayor and City Council at least 30 days prior to the beginning of the fiscal year.

2. No later than June 1, the City Manager submits the tentative City budget to the City Council and files it with the City Clerk. Upon filing the tentative City budget, a notice is published in the official newspapers of the City.
3. After the public hearing on the recommended budgets, the Mayor and City Council adopt the final City budget no later than June 20.
4. Annual budgets adopted represent the legal limit on expenditures for that period. At the end of each year unexpended, unencumbered appropriations lapse. Encumbered appropriations do not lapse and are carried forward.
5. Expenditures may not legally exceed appropriations at the fund level.
6. Budget changes within a fund may be authorized by the City Manager and the Comptroller.
7. City Council may increase the appropriations budget during the fiscal year where additional revenues or expenditures not involved in the original adopted budget are identified.

**CITY OF AUBURN, NEW YORK**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2011**

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**Note 2 - Reconciliation of the General Fund Budget Basis to GAAP**

Adjustments necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis are provided below:

|   |                     |
|---|---------------------|
| Deficit of revenues and other sources over expenditures<br>and other uses - GAAP basis  | \$ (935,633)        |
| Beginning of year adjustment for prior year encumbrances<br>recognized as expenditures  | 499,034             |
| End of year adjustment for current year encumbrances not<br>recognized as expenditures  | <u>(235,050)</u>    |
| Excess of Revenues and Other Sources Over Expenditures<br>and Other Uses - Budget Basis | <u>\$ (671,649)</u> |

**Note 3 - Reconciliation of the Sewer Fund Budget Basis to GAAP**

Adjustments necessary to convert the Sewer Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis are provided below:

|   |                   |
|---|-------------------|
| Excess of revenues and other sources over expenditures<br>and other uses - GAAP basis   | \$ 490,815        |
| Beginning of year adjustment for prior year encumbrances<br>recognized as expenditures  | 74,098            |
| End of year adjustment for current year encumbrances not<br>recognized as expenditures  | <u>(73,128)</u>   |
| Excess of Revenues and Other Sources Over Expenditures<br>and Other Uses - Budget Basis | <u>\$ 491,785</u> |

