

CITY OF AUBURN, NEW YORK
Financial Statements
For the Year Ended June 30, 2013

CITY OF AUBURN, NEW YORK
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For the Year Ended June 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



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Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, New York, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 58 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 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* in considering the City of Auburn, New York's internal control over financial reporting and compliance.

Grossman St. Amour CPA,

Syracuse, New York

February 6, 2014

Required Supplementary Information
Management's Discussion and Analysis

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. Please read it in conjunction with the City's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The City's unrestricted General Fund balance at June 30, 2013 is \$2,986,000. The fund balance in the General Fund lost \$2.7 million in 2013 compared to a loss of \$1.7 million in 2012. This was primarily the result of \$2,500,000 of transfers to the Power Utility fund (see page 19).
- The unrestricted net position of the City overall including governmental activities, business-type activities and capital assets increased by \$1.2 million or 8.1%.
- City expenses overall decreased in 2013 by \$869,000 from 2012, due to net savings in personnel costs and operating expenses. Overall revenues increased in 2013 by \$6.2 million over 2012 primarily due to \$4.9 million increases in capital and operating grants and other modest increases in property tax and sales tax revenues in 2013.
- The amount of debt the City has outstanding at June 30, 2013 for capital projects and equipment purchases increased by \$10.7 million over June 30, 2012 and now approximates \$86 million.
- The resources available for appropriation in the General fund were \$1,532,050 less than budgeted and the expenditures were \$1,997,682 less when compared to budget. Expenditures were less 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.
- The City refunded two issues of serial bonds to take advantage of the decrease in interest rates for municipal bonds. Overall, the refunding will save the City \$395,000 of principal and interest over the new terms of the debt.

Using this Annual Report

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 through 16) 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 17. 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.

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 14, with the Government-wide statements. The Statement of Net Position 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 position and changes in them. One can think of the City's net position, 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 position 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 and infrastructure, to assess the overall health of the City.

In the Statement of Net Position 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 Auburn Industrial Development Authority, 24 South Street, 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 17. 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

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 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 Position 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 Net Position - Fiduciary Funds on page 24. 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 position for fiscal year ended June 30, 2013 increased from \$66,890,805 to \$71,291,817, in comparison to last year when net position decreased by \$2,628,497. By far, the largest portion of the City's net position (74.7 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 (2.1 percent) of the City's net position represents resources that are subject to external restrictions on how they may be used, and are reported as restricted net position. The remaining category of total net position, unrestricted net position, of \$15,923,031, may be used to meet the government's ongoing obligations and services to creditors and citizens.

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2013	2012	2013	2012	2013	2012	2013-2012
Current assets	\$ 36,458	\$ 27,205	\$ 10,151	\$ 5,920	\$ 46,609	\$ 33,125	41%
Other noncurrent assets	4,220	2,987	255	426	4,475	3,413	31%
Capital assets, net	109,656	101,151	9,580	9,215	119,236	110,366	8%
Total assets	150,334	131,343	19,986	15,561	170,320	146,904	16%
Current liabilities	41,429	22,769	8,144	3,098	49,573	25,867	92%
Noncurrent liabilities	39,156	42,060	10,300	12,087	49,456	54,147	-9%
Total liabilities	80,585	64,829	18,444	15,185	99,029	80,014	24%
Invested in capital assets, net of debt	52,787	49,753	1,062	288	53,849	50,041	8%
Restricted	1,287	791	233	1,328	1,520	2,119	-28%
Unrestricted	15,675	15,970	247	(1,240)	15,922	14,730	8%
Total net position	\$ 69,749	\$ 66,514	\$ 1,542	\$ 376	\$ 71,291	\$ 66,890	7%

The net position of the City's Governmental Activities increased by 4.9 percent or \$3,234,891. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, decreased from a surplus of \$15,970,557 at June 30, 2012 to \$15,675,412 at June 30, 2013. This decrease in unrestricted governmental net position is primarily due to the increase in restricted net position to meet upcoming obligations of the City.

The net position of the Business-type Activities increased by \$1,166,121 during the year ending June 30, 2013. The total non-capital portion of net position of \$88,492 at June 30, 2012 increased to \$480,270 at June 30, 2013, primarily due to the transfers made from the General fund to the Power Utility fund.

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The City's total revenues increased by 3.3 percent, or \$1,708,846. The total cost of all programs and services decreased by 1.7 percent, or \$869,325. The main factor leading to the increase in revenues was state and federal grants received for capital projects. Our analysis in Figure 2 separately considers the operations of Governmental and Business-type Activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2013	2012	2013	2012	2013	2012	
PROGRAM REVENUES							
Charges for services	\$ 15,537	\$ 16,816	\$ 3,612	\$ 4,288	\$ 19,149	\$ 21,104	-9%
Operating grants	2,200	1,128	-	-	2,200	1,128	95%
Capital grants	4,583	769	-	-	4,583	769	496%
GENERAL REVENUES							
Property taxes and tax items	12,394	11,992	-	-	12,394	11,992	3%
Nonproperty taxes	8,628	8,719	-	-	8,628	8,719	-1%
State/Federal sources	5,188	5,194	-	-	5,188	5,194	0%
Other	1,686	3,222	27	18	1,713	3,240	-47%
Total revenues	50,216	47,840	3,639	4,306	53,855	52,146	3%
PROGRAM EXPENSES							
General government	5,482	4,197	-	-	5,482	4,197	31%
Public safety	19,247	19,650	-	-	19,247	19,650	-2%
Transportation	3,323	3,397	-	-	3,323	3,397	-2%
Economic assistance and opp'y	55	55	-	-	55	55	0%
Culture and recreation	2,049	2,015	-	-	2,049	2,015	2%
Home and community services	13,138	13,149	-	-	13,138	13,149	0%
Interest on long-term debt	1,142	1,841	-	-	1,142	1,841	-38%
Power Utility	-	-	1,880	2,081	1,880	2,081	-10%
Solid Waste	-	-	3,093	3,893	3,093	3,893	-21%
OTHER EXPENSES							
Loss on disposal of fixed assets	45	1,241	-	-	45	1,241	-96%
Change in allocation	-	3,256	-	-	-	3,256	-100%
Total expenses	44,481	48,801	4,973	5,974	49,454	54,775	-10%
Excess before transfers	5,735	(961)	(1,334)	(1,668)	4,401	(2,629)	-267%
Transfers/capital contributions	(2,500)	(500)	2,500	500	-	-	0%
Increase (decrease) in net assets	\$ 3,235	\$ (1,461)	\$ 1,166	\$ (1,168)	\$ 4,401	\$ (2,629)	-267%

Governmental Activities

Revenues for the City's Governmental Activities increased \$2,876,276, or 6.1 percent, while total expenses decreased \$4,319,304, or 8.9 percent.

The City has increased its property tax rate to 12.32 in 2012-13 versus 11.71 in 2011-12. The City's tax levy, supported by an increase in taxable assessed valuation, increased to \$11,634,362 in 2012-13. These amounts are included within the property taxes and tax items lines, which indicate an overall 3 percent rate increase from 2012 to 2013.

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

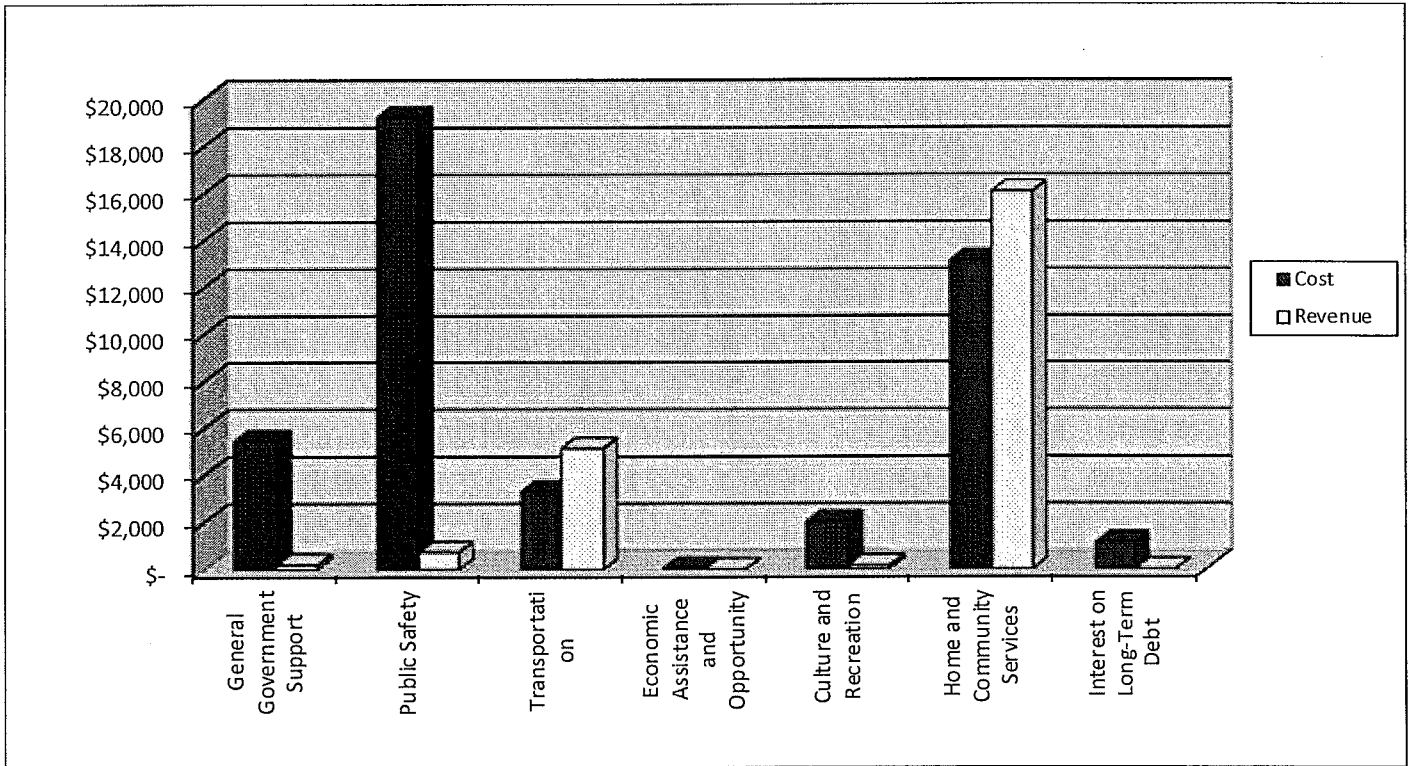
Charges for Services	\$ 15,537	31%
Operating Grants	2,200	4%
Capital Grants	4,583	9%
Property Taxes	12,394	25%
Sales, Gross Receipts and Franchise Taxes	8,628	17%
State/Federal Sources	5,188	10%
Other	1,686	4%
	\$ 50,216	100%

The cost of all governmental activities this year was \$44,481,555. 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 \$12,394,070, because some of the cost was paid by those who directly benefited from the programs which was \$15,537,274, or by other governments and organizations that subsidized certain programs with grants and contributions which totaled \$6,782,951. Overall, the City's governmental program revenues, including fees for services and grants, were \$22,320,225. The City paid for the remaining "public benefit" portion of governmental activities with \$27,896,221 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, 2013**

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



Business-type Activities

Operating revenues of the City's Business-type Activities (see Figure 2) decreased by 15.5 percent, or \$667,433, in 2013. Operating expenses also decreased in 2013 by 16.8 percent, or \$1,001,359. The main decrease in expenses was in contractual services in the Solid Waste fund. Revenues decreased due to the decreasing volume at the landfill.

The City's Funds

As the City completed the year, its Governmental Funds, as presented in the balance sheets on page 17, reported a combined fund balance of \$1,661,894, which is lower than last year's total of \$10,929,748. Figure 5 and figure 6 show the changes in fund balances for the year for the City's major funds. Of the \$1,661,894, a deficit of \$5,347,119 is unassigned and as such is not available for spending. The remaining nonspendable, restricted, committed and assigned fund balances are segregated to indicate that they are not available for new spending because they have already been committed to liquidate contracts and purchase orders of the prior period and a variety of other restricted purposes.

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

**Figure 5
Major Governmental Funds
Fund Balance at Year Ended
(in thousands)**

	Governmental Funds		Percent Change
	2013	2012	2013-2012
General Fund	\$ 4,540	\$ 7,228	-37%
Sewer Fund	1,043	582	79%
Special Grant Fund	2,427	2,577	-6%
Capital Projects Fund	(8,333)	(667)	1149%
Other Governmental Funds	1,985	1,209	64%
Totals	\$ 1,662	\$ 10,929	-85%

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

	Total Enterprise Funds		Percent Change
	2013	2012	2013-2012
Power Utility Fund	\$ 660	\$ (760)	-187%
Solid Waste Fund	882	1,136	-22%
Totals	\$ 1,542	\$ 376	310%

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 (decreases) increases in estimated revenues and appropriations as follows: General Fund – \$2,279,736 in revenues and \$2,406,607 in expenses.

Even with these adjustments, revenues and 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 June 30, 2013, the City had \$119,236,140, 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 increase (including additions and deductions) of 8.1 percent or \$8,869,897 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, 2013**

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2013	2012	2013	2012	2013	2012	2013-2012
Land	\$ 4,253	\$ 4,253	\$ 420	\$ 420	\$ 4,673	\$ 4,673	0%
Construction in progress	13,385	5,786	1,130	-	14,515	5,786	151%
Buildings and improvements	24,348	25,211	5,360	6,144	29,708	31,355	-5%
Equipment	12,657	12,363	2,421	2,388	15,078	14,751	2%
Infrastructure	55,013	53,538	249	262	55,262	53,800	3%
Totals	\$ 109,656	\$ 101,151	\$ 9,580	\$ 9,214	\$ 119,236	\$ 110,365	8%

At year-end, the City had entered into contracts with various vendors for total commitments outstanding of \$4,217,643, of which \$3,945,170 was committed for transportation projects and \$190,831 was committed for home and community projects. More detailed information can be found in Note 18 to the financial statements regarding these commitments.

Debt and Long-term Liabilities

Debt increased by over \$10.7 million and brought the total debt to approximately \$86 million as of June 30, 2013, as shown in Figure 8. Of this amount, \$39,693,007 is subject to the constitutional debt limit and represented 62% 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 \$14,759,301 in bond anticipation notes. 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)**

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2013	2012	2013	2012	2013	2012	2013-2012
Serial Bonds	\$ 36,902	\$ 40,533	\$ 7,036	\$ 8,172	\$ 43,938	\$ 48,705	-10%
BANs	19,419	8,540	5,061	1,181	24,480	9,721	152%
Landfill closure and postclosure	-	-	4,919	5,512	4,919	5,512	-11%
Notes payable	709	849	-	-	709	849	-16%
Lease obligations	548	679	-	-	548	679	-19%
Other long-term liabilities	11,180	9,522	-	-	11,180	9,522	17%
Totals	\$ 68,758	\$ 60,123	\$ 17,016	\$ 14,865	\$ 85,774	\$ 74,988	14%

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

Economic Factors and Next Year's Budgets and Rates

The amount available for appropriation in the 2013-2014 General Fund budget is \$34,617,760, a decrease of 3.9% over the adopted June 30, 2013, budget of \$36,019,876 including appropriations and transfers out.

**CITY OF AUBURN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 Position
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Auburn Industrial Development Authority	Auburn Housing Authority
ASSETS					
Current assets:					
Cash and cash equivalents, unrestricted	\$ 13,535,344	\$ 6,392,307	\$ 19,927,651	\$ 77,867	\$ 1,996,893
Cash and cash equivalents, restricted	10,862,236	3,323,659	14,185,895	-	170,567
Investments	8,159	-	8,159	-	669,495
Investments, restricted	9,301	-	9,301	-	460,352
Taxes receivable, net	3,200,152	-	3,200,152	-	-
Internal balances	(205,644)	205,644	-	-	-
Due from state and federal governments	4,013,716	-	4,013,716	-	-
Due from other governments	1,081,909	-	1,081,909	-	-
Other receivables, net	3,607,309	229,311	3,836,620	456,032	33,385
Loans receivable, current	172,532	-	172,532	-	-
Prepaid expenses	-	-	-	-	110,810
Deposits	172,700	-	172,700	-	-
Property leases, current	-	-	-	228,436	-
Total current assets	<u>36,457,714</u>	<u>10,150,921</u>	<u>46,608,635</u>	<u>762,335</u>	<u>3,441,502</u>
Noncurrent assets:					
Loans receivable, long-term	4,219,653	-	4,219,653	-	-
Property leases, long-term	-	-	-	3,067,725	-
Intangible assets, net	-	255,353	255,353	-	-
Capital assets, non-depreciable	17,637,495	1,549,843	19,187,338	273,694	-
Depreciable capital assets, net	92,018,961	8,029,841	100,048,802	-	7,575,346
Total noncurrent assets	<u>113,876,109</u>	<u>9,835,037</u>	<u>123,711,146</u>	<u>3,341,419</u>	<u>7,575,346</u>
Total assets	<u>\$ 150,333,823</u>	<u>\$ 19,985,958</u>	<u>\$ 170,319,781</u>	<u>\$ 4,103,754</u>	<u>\$ 11,016,848</u>

The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK
Statement of Net Position (continued)
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Auburn Industrial Development Authority	Auburn Housing Authority
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 2,044,127	\$ 1,251,189	\$ 3,295,316	\$ 453,532	\$ 26,579
Accrued liabilities	429,878	121,411	551,289	-	120,252
Due to other governments	2,428,302	-	2,428,302	-	-
Due to employees' retirement system	1,043,014	23,479	1,066,493	-	-
Short-term note payable	2,093,543	-	2,093,543	-	-
Bond anticipation notes payable	19,419,040	5,060,500	24,479,540	-	-
Accrued interest payable	130,464	32,116	162,580	11,730	-
Unearned revenue	3,656,386	-	3,656,386	-	24,175
Current portion of long-term liabilities:					
Lease obligations payable	62,345	-	62,345	-	-
Bonds payable	3,725,427	1,154,824	4,880,251	228,436	81,247
Note payable	150,000	-	150,000	-	-
Employees' retirement system note payable	131,389	-	131,389	-	-
Compensated absences	2,526,528	-	2,526,528	-	6,322
Other postemployment benefits	2,827,435	-	2,827,435	-	-
Self insurance liability	30,000	-	30,000	-	-
Claims and judgments payable	731,205	-	731,205	-	-
Landfill post closure liability	-	500,000	500,000	-	-
Total current liabilities	<u>41,429,083</u>	<u>8,143,519</u>	<u>49,572,602</u>	<u>693,698</u>	<u>258,575</u>
Long-term liabilities:					
Lease obligation payable	485,781	-	485,781	-	-
Bonds payable	33,176,835	5,881,191	39,058,026	3,067,725	893,713
Note payables	559,000	-	559,000	68,100	-
Employees' retirement system note payable	137,958	-	137,958	-	-
Compensated absences	-	-	-	-	56,888
Other postemployment benefits	4,104,744	-	4,104,744	-	161,344
Self insurance liability	691,056	-	691,056	-	-
Landfill post closure liability	-	4,418,797	4,418,797	-	-
Total long-term liabilities	<u>39,155,374</u>	<u>10,299,988</u>	<u>49,455,362</u>	<u>3,135,825</u>	<u>1,111,945</u>
Total liabilities	<u>80,584,457</u>	<u>18,443,507</u>	<u>99,027,964</u>	<u>3,829,523</u>	<u>1,370,520</u>
NET POSITION					
Net investment in capital assets	52,787,028	1,062,181	53,849,209	205,594	6,600,386
Restricted	1,286,926	232,651	1,519,577	-	1,583,139
Unrestricted	<u>15,675,412</u>	<u>247,619</u>	<u>15,923,031</u>	<u>68,637</u>	<u>1,462,803</u>
Total net position	<u>69,749,366</u>	<u>1,542,451</u>	<u>71,291,817</u>	<u>274,231</u>	<u>9,646,328</u>
Total liabilities and net position	<u>\$ 150,333,823</u>	<u>\$ 19,985,958</u>	<u>\$ 170,319,781</u>	<u>\$ 4,103,754</u>	<u>\$ 11,016,848</u>

The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK
Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

	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
PRIMARY GOVERNMENT								
Governmental activities:								
General government support	\$ 5,482,417	\$ 202,669	\$ -	\$ -	\$ (5,279,748)	\$ -		
Public safety	19,247,375	590,482	146,666	-	(18,510,227)	-		
Transportation	3,322,446	401,440	163,664	4,583,267	1,825,925	-		
Economic assistance and opportunity	55,000	-	-	-	(55,000)	-		
Culture and recreation	2,049,255	81,136	84,458	-	(1,883,661)	-		
Home and community services	13,138,144	14,261,547	1,804,896	-	2,928,299	-		
Interest on long-term debt	1,141,686	-	-	-	(1,141,686)	-		
Total governmental activities	44,436,323	15,537,274	2,199,684	4,583,267	(22,116,098)	-		
Business-type activities:								
Power utility fund	1,880,115	777,428	-	-	-	(1,102,687)		
Solid waste	3,092,927	2,834,407	-	-	-	(258,520)		
Total business-type activities	4,973,042	3,611,835	-	-	-	(1,361,207)		
Total primary government	\$ 49,409,365	\$ 19,149,109	\$ 2,199,684	\$ 4,583,267	(22,116,098)	(1,361,207)		
Component units:								
Auburn Industrial Development Authority	\$ -	\$ -	\$ -	\$ -	-	-	\$ (1,533,421)	\$ 64,923
Auburn Housing Authority	-	-	-	-	-	-	(1,533,421)	64,923
Total component units	\$ -	\$ -	\$ -	\$ -	-	-	(1,533,421)	64,923
Net (expense) revenue and changes brought forward:								
GENERAL REVENUES								
Real property taxes					11,492,851	-		
Real property tax items					901,219	-	1,502,955	-
Sales taxes					7,954,409	-	-	-
Utilities gross receipts tax					242,361	-	-	-
Franchise taxes					431,315	-	-	-
Use of money and property					275,677	27,328	117	8,029
Sale of property and compensation for loss					235,810	-	-	-
Miscellaneous local sources					1,174,866	-	36,432	323,431
State and federal sources not restricted to specific programs					5,187,713	-	-	(2,375)
Loss on disposal of fixed assets					(45,232)	-	-	-
Transfers - internal activities					(2,500,000)	2,500,000	-	-
Total general revenues and transfers					25,350,989	2,527,328	1,539,504	329,085
Change in net position					3,234,891	1,166,121	6,083	394,008
Net position - beginning of year					66,514,475	376,330	268,148	9,252,320
Net position - end of year					\$ 69,749,366	\$ 1,542,451	\$ 274,231	\$ 9,646,328

The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK
Balance Sheet - Governmental Funds
June 30, 2013

	Special Revenue Funds				Total
	General Fund	Sewer Fund	Special Grant Fund	Capital Projects Fund	
ASSETS					
Cash and cash equivalents, unrestricted	\$ 7,629,275	\$ 457,202	\$ 2,453,853	\$ 1,246,855	\$ 1,748,159
Investments	3,025	2,750	-	-	2,384
Investments, restricted	-	-	-	-	9,301
Taxes receivable, net	3,200,152	-	-	-	-
Due from other funds	1,850,582	-	-	-	-
Due from state and federal governments	-	-	65,836	3,947,880	-
Due from other governments	1,081,909	-	-	-	-
Other receivables, net	111,755	1,818,451	-	748,137	928,966
Deposits	172,700	-	-	-	-
Cash and cash equivalents, restricted	749,634	-	-	10,112,602	-
Loans receivable, net	-	-	4,392,185	-	-
Total assets	\$ 14,799,032	\$ 2,278,403	\$ 6,911,874	\$ 16,055,474	\$ 2,688,810
LIABILITIES					
Accounts payable	\$ 440,762	\$ 154,539	\$ 23,671	\$ 1,332,074	\$ 93,081
Accrued liabilities	368,896	25,964	-	-	35,018
Due to other funds	-	988,633	69,258	462,656	535,679
Due to other governments	1,823,302	-	-	605,000	-
Due to retirement system	937,178	65,671	-	-	40,165
Short-term note payable	-	-	-	2,093,543	-
Bond anticipation notes payable	-	-	-	19,419,040	-
Deferred revenues	6,688,981	-	4,392,185	476,403	-
Total liabilities	10,259,119	1,234,807	4,485,114	24,388,716	703,943
FUND BALANCES					
Nonspendable	-	-	-	-	9,301
Restricted	-	3,255	8,250	-	65,550
Committed	1,200,570	-	-	-	-
Assigned	353,220	1,040,341	2,418,510	-	1,910,016
Unassigned	2,986,123	-	-	(8,333,242)	-
Total fund balances	4,539,913	1,043,596	2,426,760	(8,333,242)	1,984,867
Total liabilities and fund balances	\$ 14,799,032	\$ 2,278,403	\$ 6,911,874	\$ 16,055,474	\$ 2,688,810
					\$ 42,733,593

The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK
Reconciliation of Governmental Fund Balances
to the Statement of Net Position
June 30, 2013

Total governmental fund balances	\$ 1,661,894
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Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	\$ 183,174,633	
Accumulated depreciation	<u>(73,518,177)</u>	
		109,656,456

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	7,901,183
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Certain accrued expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued interest payable	\$ (130,464)	
Amounts due to employees' retirement systems	(269,347)	
Compensated absences	(2,526,528)	
Self insurance liability	(721,056)	
Other postemployment benefits	(6,932,179)	
Claims and judgments	<u>(731,205)</u>	
		(11,310,779)

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	\$ (36,902,262)	
Leases payable	(548,126)	
Note payable	<u>(709,000)</u>	
		<u>(38,159,388)</u>

Net position of governmental activities	<u><u>\$ 69,749,366</u></u>
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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, 2013

	General Fund	Special Revenue Funds		Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
		Sewer Fund	Special Grant Fund			
REVENUES						
Real property taxes	\$ 11,058,773	\$ -	\$ -	\$ -	\$ -	\$ 11,058,773
Real property tax items	901,219	-	-	-	-	901,219
Nonproperty taxes	8,628,085	-	-	-	-	8,628,085
Departmental income	765,869	7,085,790	318,700	-	3,711,202	11,881,561
Intergovernmental charges	262,934	-	-	-	-	262,934
Use of money and property	205,394	7,275	46,763	-	16,245	275,677
Licenses and permits	130,481	-	-	-	-	130,481
Fines and forfeitures	253,166	-	-	-	-	253,166
Sale of property and compensation for loss	233,181	2,629	-	-	-	235,810
Miscellaneous local sources	113,236	1,485	-	575,213	25,838	715,772
Interfund revenue	1,934,258	110,000	-	-	-	2,044,258
State sources	5,990,715	-	-	1,064,566	-	7,055,281
Federal sources	99,577	-	1,804,896	2,985,004	-	4,889,477
Total revenues	30,576,888	7,207,179	2,170,359	4,624,783	3,753,285	48,332,494
EXPENDITURES						
General government support	3,810,809	73,685	-	-	41,109	3,925,603
Public safety	11,317,397	-	-	-	-	11,317,397
Transportation	1,513,071	-	-	-	-	1,513,071
Economic assistance and opportunity	55,000	-	-	-	-	55,000
Culture and recreation	1,335,626	-	-	-	-	1,335,626
Home and community services	1,445,552	3,171,179	2,147,916	-	2,147,003	8,911,650
Employee benefits	8,530,836	659,265	-	-	413,319	9,603,420
Debt service:						
Debt principal	1,666,858	1,991,873	140,000	-	228,994	4,027,725
Debt interest	571,381	581,953	32,957	-	69,225	1,255,516
Capital outlay	518,513	207,834	-	12,287,083	141,910	13,155,340
Total expenditures	30,765,043	6,685,789	2,320,873	12,287,083	3,041,560	55,100,348
Excess of (expenditures) revenue	(188,155)	521,390	(150,514)	(7,662,300)	711,725	(6,767,854)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	5,779	-	-	1,899	65,000	72,678
Interfund transfers out	(2,505,802)	(60,000)	-	(5,776)	(1,100)	(2,572,678)
Total other financing sources (uses)	(2,500,023)	(60,000)	-	(3,877)	63,900	(2,500,000)
Net changes in fund balances	(2,688,178)	461,390	(150,514)	(7,666,177)	775,625	(9,267,854)
Fund balances - beginning of year	7,228,091	582,206	2,577,274	(667,065)	1,209,242	10,929,748
Fund balances - end of year	\$ 4,539,913	\$ 1,043,596	\$ 2,426,760	\$ (8,333,242)	\$ 1,984,867	\$ 1,661,894

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 and Changes in Net Position
For the year ended June 30, 2013

Net change in fund balances of governmental funds \$ (9,267,854)

Governmental funds report capital outlays as expenditures, however, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives. Capital outlays were greater than depreciation in the current period.

Capital outlay	\$ 13,155,340	
Depreciation	<u>(4,605,035)</u>	
		8,550,305

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,883,952
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Debt related proceeds provide current financial resources to Governmental Funds , but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayment of debt principal.	3,902,593
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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	113,830	
Amounts due to the employee retirement systems	125,132	
Compensated absences	(902,717)	
Self insurance liability	(7,559)	
Other postemployment benefits	(1,069,987)	
Claims and judgments	<u>(47,572)</u>	
		(1,788,873)

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 and adjustments	<u>(45,232)</u>
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Change in net position of governmental activities	<u>\$ 3,234,891</u>
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The accompanying notes are an integral part of these financial statement

CITY OF AUBURN, NEW YORK
Statement of Net Position- Proprietary Funds
June 30, 2013

ASSETS	Business-type Activities		
	Enterprise Funds		Total
	Power Utility Fund	Solid Waste Fund	
Current assets:			
Cash and cash equivalents, unrestricted	\$ 1,215,515	\$ 5,176,792	\$ 6,392,307
Cash and cash equivalents, restricted	2,770,344	553,315	3,323,659
Accounts receivable, net	9,440	219,871	229,311
Due from other funds	271,880	-	271,880
Total current assets	4,267,179	5,949,978	10,217,157
Noncurrent assets:			
Intangible assets, net	255,353	-	255,353
Capital assets, non-depreciable	1,230,456	319,387	1,549,843
Depreciable capital assets, net	1,703,502	6,326,339	8,029,841
Total noncurrent assets	3,189,311	6,645,726	9,835,037
Total assets	\$ 7,456,490	\$ 12,595,704	\$ 20,052,194
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,224,334	\$ 26,855	\$ 1,251,189
Accrued liabilities	-	121,411	121,411
Due to other funds	-	66,236	66,236
Due to employees' retirement system	-	23,479	23,479
Bonds payable	54,864	1,099,960	1,154,824
Landfill post closure liability	-	500,000	500,000
Bond anticipation notes payable	5,060,500	-	5,060,500
Bond interest payable	833	31,283	32,116
Total current liabilities	6,340,531	1,869,224	8,209,755
Non-current liabilities:			
Bonds payable	455,688	5,425,503	5,881,191
Landfill post closure liability	-	4,418,797	4,418,797
Total non-current liabilities	455,688	9,844,300	10,299,988
Total liabilities	6,796,219	11,713,524	18,509,743
NET POSITION			
Net investment in capital assets	388,603	673,578	1,062,181
Restricted	24,049	208,602	232,651
Unrestricted	247,619	-	247,619
Total net position	\$ 660,271	\$ 882,180	\$ 1,542,451

The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the year ended June 30, 2013

	Business-type Activities		
	Enterprise Funds		Total
	Power Utility Fund	Solid Waste Fund	
REVENUES			
Charges for services	\$ 761,542	\$ 2,821,003	\$ 3,582,545
Other operating revenue	15,886	13,404	29,290
Total operating revenues	<u>777,428</u>	<u>2,834,407</u>	<u>3,611,835</u>
OPERATING EXPENSES			
Salaries and wages	-	616,377	616,377
Contractual services	1,594,223	1,044,839	2,639,062
Employee benefits	-	291,015	291,015
Depreciation and amortization	259,998	937,539	1,197,537
Total operating expenses	<u>1,854,221</u>	<u>2,889,770</u>	<u>4,743,991</u>
Loss from operations	<u>(1,076,793)</u>	<u>(55,363)</u>	<u>(1,132,156)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	23,106	4,222	27,328
Interest expense	(25,894)	(203,157)	(229,051)
Total non-operating expenses	<u>(2,788)</u>	<u>(198,935)</u>	<u>(201,723)</u>
Net loss before transfers	(1,079,581)	(254,298)	(1,333,879)
Interfund transfers in	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>
Net decrease in net position	1,420,419	(254,298)	1,166,121
Net position - beginning of year	<u>(760,148)</u>	<u>1,136,478</u>	<u>376,330</u>
Net position - end of year	<u>\$ 660,271</u>	<u>\$ 882,180</u>	<u>\$ 1,542,451</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, 2013

	Business-type Activities		
	Enterprise Funds		
	Power Utility Fund	Solid Waste Fund	Total
Cash flows from operating activities			
Cash received from providing services	\$ 752,102	\$ 2,924,070	\$ 3,676,172
Cash received from other funds and other sources	15,886	13,404	29,290
Cash payments - employees	-	(540,598)	(540,598)
Cash payments - employee benefits	-	(294,765)	(294,765)
Cash payments - suppliers	(1,973,685)	(1,680,717)	(3,654,402)
Net cash provided by (used in) operating activities	(1,205,697)	421,394	(784,303)
Cash flows from non-capital and financing activities			
Transfers from other funds	2,495,779	326,423	2,822,202
Cash flows from capital and related financing activities			
Payments on bond anticipation notes	(1,180,700)	-	(1,180,700)
Proceeds from bond anticipation notes	5,060,500	-	5,060,500
Payments on bonds	(50,648)	(1,085,537)	(1,136,185)
Interest expense	(26,822)	(198,844)	(225,666)
Purchase of capital assets	(1,129,657)	(262,179)	(1,391,836)
Net cash provided by (used in) capital and related financing activities	2,672,673	(1,546,560)	1,126,113
Cash flows from investing activities			
Interest income	23,104	4,222	27,326
Net decrease in cash and cash equivalents	3,985,859	(794,521)	3,191,338
Cash and cash equivalents - beginning of year	-	6,524,628	6,524,628
Cash and cash equivalents - end of year	\$ 3,985,859	\$ 5,730,107	\$ 9,715,966
Reconciliation of income from operations to net cash provided by (used in) operating activities:			
Loss from operations	\$ (1,076,793)	\$ (55,363)	\$ (1,132,156)
Depreciation and amortization	259,998	937,539	1,197,537
Transfers in	(2,500,000)	-	(2,500,000)
Change in assets and liabilities:			
Accounts receivable	(9,440)	103,067	93,627
Accounts payable	1,075,596	(42,546)	1,033,050
Checks written in excess of cash balance	(1,455,058)	-	(1,455,058)
Accrued liabilities	-	75,779	75,779
Due to employees' retirement system	-	(3,750)	(3,750)
Landfill post closure liability	-	(593,332)	(593,332)
Due from other funds not attributable to operations	2,500,000	-	2,500,000
Net cash provided by (used in) operating activities	<u>\$ (1,205,697)</u>	<u>\$ 421,394</u>	<u>\$ (784,303)</u>
Reconciliation of total cash and cash equivalents			
Current assets - unrestricted cash and cash equivalents	\$ 1,215,515	\$ 5,176,792	\$ 6,392,307
Non-current assets - restricted cash and cash equivalents	2,770,344	553,315	3,323,659
Total cash and cash equivalents	<u>\$ 3,985,859</u>	<u>\$ 5,730,107</u>	<u>\$ 9,715,966</u>

The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK
Statement of Net Position - Fiduciary Funds
June 30, 2013

ASSETS

Cash and cash equivalents, unrestricted	<u>\$ 93,678</u>
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LIABILITIES

Total liabilities	<u>\$ 93,678</u>
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The accompanying notes are an integral part of these financial statements

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

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 City 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

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:

(a) 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 is considered a business-type activity. The accounts for this component unit represent activity and balances for the fiscal year ended December 31, 2012. Copies of AIDA's financial statements can be obtained by writing to the City of Auburn Comptroller's Office, Auburn NY 13021.

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 lease, is offset by a liability, bond payable as shown on the statement of net position. AIDA acts as an intermediary between the lessee, making the principal payments, and the bondholder, receiving the principal payments. AIDA does not receive or pay these monies directly.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

A. Financial Reporting Entity (continued)

1. Related Organizations (continued)

(b) 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, 2013. 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 position 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

B. Basic Financial Statements (continued)

1. Government-wide Statements (continued)

In the government-wide statement of net position, 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 position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. 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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

B. Basic Financial Statements (continued)

2. Fund Financial Statements (continued)

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 funds are special revenue funds:

(a) **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.

(b) **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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

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.

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 Position. The Statement of Activities presents changes in net position. 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

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 City 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 \$1,199,285 at June 30, 2013. 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 \$617,849 at June 30, 2013.

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

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 will pay the City throughout the year, normally in June, December, and March for the period April 1, 2012 through March 31, 2013 (the State's fiscal year), the City received funding of \$4,982,093.

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

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 23, 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 approximately \$563,000.

G. Investments

Investments are stated at fair value.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

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 are 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, 2013 amounted to \$2,302,520 and amortization expense amounted to \$170,525.

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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

K. Compensatory Absences (continued)

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.

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 \$1,757,000 were incurred for post-retirement health care benefits for 231 participants currently eligible. An additional \$29,700 was paid to an eligible, retired firefighter under GML Section 207(a). These costs are reported as employee benefits in the funds.

M. Equity Classifications

Government-wide Statements

Equity is classified as net position 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 Position - Consists of net position 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 Position - Consists of all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

M. Equity Classifications (continued)

Fund Statements

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

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes an endowment in the non-major governmental funds of \$9,301.

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.

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, 2013:

Equipment reserves:	
Sewer fund	\$ 773
Other governmental funds	34,210
Reserves for encumbrances:	
Sewer fund	2,482
Special grant fund	8,250
Other governmental funds	31,340
	<u>\$ 77,055</u>
Solid waste fund:	
Reserve for landfill expansion	\$ 183,602
Equipment reserve	25,000
Power utility fund:	
Reserve for encumbrances	24,049
	<u>\$ 232,651</u>

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

M. Equity Classifications (continued)

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 City Council.

General Fund

Amounts committed in the General fund consist of internally established reserves to mitigate uncertainties in expenditures. Committed funds were as follows at June 30, 2013:

General fund:

Other postemployment benefits reserve	\$ 600,000
Reserve for worker's compensation claims	400,000
Equipment reserve	187,830
Reserve for Falcon Park	12,740
	<u>\$ 1,200,570</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 \$353,220.

Unassigned - Includes all other General fund net position 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

O. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position 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 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 determined that at this time the statement is not 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 has implemented 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 has implemented 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 Position to the Statement of Financial Position to better represent assets versus deferred amounts. The City has evaluated the statement and has implemented as of June 30, 2013.

GASB has also issued Statement 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2014 financial statements.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Q. Changes in Accounting Standards (continued)

GASB has also issued Statement 66, *Technical Corrections – 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The City is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2014 financial statements.

GASB has also issued Statement 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most pension plans. The City is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2014 financial statements.

GASB has also issued Statement 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The City is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2015 financial statements.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending June 30, 2015. The City is currently studying the statement and plans on adoption if and when required.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2015. The City is currently studying the statement and plans on adoption if and when required.

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 FDIC 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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 2 - Deposits and Investments (continued)

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 \$34,737,675 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, 2012, of \$343,201 and for the discretely presented component unit, Auburn Housing Authority at March 31, 2013 of \$3,156,823 are either insured or collateralized with securities held by the pledging financial institution.

Note 3 - Restricted Cash

Restricted cash and cash equivalents, reported on the government-wide and fund financial statements, consists of \$13,436,261 of unspent debt proceeds to be used for the acquisition, construction, or renovation of capital assets and \$749,634 of cash and cash equivalents which is required collateral for the City's health insurance policy.

As of June 30, 2013, restricted cash and cash equivalents consisted of:

Governmental activities

General government	\$ 852,350
Public safety	-
Transportation	2,790,810
Culture and recreation	2,462
Home and community services	7,216,614
Total governmental activities	<u>\$ 10,862,236</u>

Business-type activities

Power utility	\$ 2,770,344
Solid waste	553,315
	<u>\$ 3,323,659</u>

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 3 - Restricted Cash (continued)

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

	Federal Low Rent	DHCR	Section 8 Housing Choice
HAP Reserve	\$ -	\$ -	\$ 62,790
State Reserves - Investments	-	460,352	-
Security Deposits	17,170	90,607	-
	<u>\$ 17,170</u>	<u>\$ 550,959</u>	<u>\$ 62,790</u>

The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. These amounts are reported as restricted cash and cash equivalents and restricted investments on the statement of net position.

Note 4 - Investments

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

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. These short term investments are recorded as unrestricted cash equivalents on the statement of net position.

A summary of investments as of March 31, 2013 follows:

	Cost	Unrealized Gain (Loss)	Market Value
Unrestricted			
Certificates of deposit	\$ 475,000	\$ 23	\$ 475,023
Asset backed securities	45,589	522	46,111
Investment - housing authority risk retention group	22,201	-	22,201
	<u>542,790</u>	<u>545</u>	<u>543,335</u>
Restricted - United States Treasury Bills	460,216	136	460,352
Total investments	<u>\$ 1,003,006</u>	<u>\$ 681</u>	<u>\$ 1,003,687</u>

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 5 - Other Receivables

Other receivables consist of the following as of June 30, 2013:

General fund:

Accounts receivable	\$ 111,755
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Special revenue fund - sewer fund:

Sewer rents receivable	1,798,857
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Accounts receivable	19,594
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Capital projects fund:

Sidewalk assessments	748,137
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Other governmental funds:

Water rents receivable	928,966
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Total governmental funds	<u>\$ 3,607,309</u>
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Power utility fund:

Accounts receivable	9,440
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Solid waste fund:

Accounts receivable	531,232
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Allowance for uncollectible receivables	<u>(311,361)</u>
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Total enterprise funds	<u>\$ 229,311</u>
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Note 6 - Property Taxes

At June 30, 2013, the total real property tax receivable of \$4,032,855 is offset by an allowance for uncollectible taxes of \$832,703. The remaining portion of taxes receivable is offset by unearned tax revenue of approximately \$3,000,078 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.

The 2013 real property tax levy for City purposes totaled \$11,634,362. 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, 2013 was \$18,295,306 leaving a margin of \$6,660,944.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 7 - Capital Assets

A summary of changes in capital assets at June 30, 2013 follows:

	June 30, 2012	Additions	Disposals	Reclassifications	June 30, 2013
Governmental activities:					
Non-depreciable capital assets					
Land	\$ 4,252,631	\$ -	\$ -	\$ -	\$ 4,252,631
Construction in progress	5,786,279	10,987,537	(5,377)	(3,383,575)	13,384,864
Total non-depreciable capital assets	10,038,910	10,987,537	(5,377)	(3,383,575)	17,637,495
Depreciable capital assets					
Buildings and improvements	38,575,044	22,724	-	-	38,597,768
Machinery and equipment	36,145,784	1,970,148	(508,634)	-	37,607,298
Infrastructure	85,773,566	174,931	-	3,383,575	89,332,072
Total depreciable capital assets	160,494,394	2,167,803	(508,634)	3,383,575	165,537,138
Total cost	170,533,304	13,155,340	(514,011)	-	183,174,633
Less accumulated depreciation					
Buildings and improvements	(13,363,891)	(884,790)	-	-	(14,248,681)
Machinery and equipment	(23,782,677)	(1,636,522)	468,779	-	(24,950,420)
Infrastructure	(32,235,353)	(2,083,723)	-	-	(34,319,076)
Total accumulated depreciation	(69,381,921)	(4,605,035)	468,779	-	(73,518,177)
Governmental activities capital assets, net	\$ 101,151,383	\$ 8,550,305	\$ (45,232)	\$ -	\$ 109,656,456
Business-type activities:					
Non-depreciable capital assets					
Land	\$ 420,187	\$ -	\$ -	\$ -	\$ 420,187
Construction in progress	-	1,129,656	-	-	1,129,656
Total non-depreciable capital assets	420,187	1,129,656	-	-	1,549,843
Depreciable capital assets					
Buildings and improvements	23,129,837	-	-	-	23,129,837
Machinery and equipment	4,361,777	263,205	-	-	4,624,982
Infrastructure	265,856	-	-	-	265,856
Total depreciable capital assets	27,757,470	263,205	-	-	28,020,675
Total historical cost	28,177,657	1,392,861	-	-	29,570,518
Less accumulated depreciation					
Buildings and improvements	(16,985,682)	(783,867)	-	-	(17,769,549)
Machinery and equipment	(1,973,442)	(230,997)	-	-	(2,204,439)
Infrastructure	(3,673)	(13,173)	-	-	(16,846)
Total accumulated depreciation	(18,962,797)	(1,028,037)	-	-	(19,990,834)
Business-type activities capital assets, net	\$ 9,214,860	\$ 364,824	\$ -	\$ -	\$ 9,579,684

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 7 – Capital Assets (continued)

Depreciation expense was charged to the functions as follows:

Governmental activities	
General governmental support	\$ 144,587
Public safety	578,932
Transportation	1,358,855
Culture and recreation	175,121
Home and community services	2,347,540
Total governmental activities	<u>\$ 4,605,035</u>
Business-type activities	
Power utility	\$ 90,498
Solid waste	937,539
Total business-type activities	<u>\$ 1,028,037</u>

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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 8 - Pension Plans (continued)

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:

Year	ERS	PFRS
2013	\$ 1,402,886	\$ 2,432,793
2012	828,071	1,965,646
2011	881,895	1,900,170

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

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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 8 - Pension Plans (continued)

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, 2013 the unamortized portion was \$269,347, with an expected amortization of \$131,389 in fiscal year 2013.

Note 9 - Short-term Debt

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.

At June 30, 2013, the City had outstanding BANs of \$24,479,540, which were issued in May 31, 2013 at an interest rate of 1.00%, due May 30, 2014.

	<u>June 30, 2012</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>June 30, 2013</u>
Governmental activities:				
Capital project funds	<u>\$ 8,539,539</u>	<u>\$19,419,040</u>	<u>\$ 8,539,539</u>	<u>\$19,419,040</u>
Business-type activities:				
Power utility fund	<u>1,180,700</u>	<u>5,060,500</u>	<u>1,180,700</u>	<u>5,060,500</u>
Total bond anticipation notes	<u><u>\$ 9,720,239</u></u>	<u><u>\$24,479,540</u></u>	<u><u>\$ 9,720,239</u></u>	<u><u>\$24,479,540</u></u>

Short-term debt interest - Interest on BANs in the governmental activities and business-type activities approximated \$201,696 and \$13,000, respectively, for the year ended June 30, 2013.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 10 - Lease Commitments

Capital Leases

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

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2013</u>
Governmental activities:				
Fire truck	\$ 74,625	\$ -	\$ 74,625	\$ -
Fire truck	59,150	-	59,150	-
Fire truck	545,661	-	45,029	500,632
Camera	-	64,160	16,666	47,494
	<u>\$ 679,436</u>	<u>\$ 64,160</u>	<u>\$ 195,470</u>	<u>\$ 548,126</u>

The present value of capital leases are:

Year Ending June 30,	
2014	84,612
2015	84,612
2016	84,612
2017	67,946
2018	67,946
2019-2023	<u>271,785</u>
	661,513
Less amount representing interest	<u>113,387</u>
Present value of future minimum lease payments	<u>\$ 548,126</u>
 Cost of equipment	 <u>\$ 809,160</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, 2013, the total outstanding indebtedness (bonds, BANs, notes, and leases payable) of the City's primary government aggregated \$85,671,737. Of this amount \$39,693,007 is subject to the constitutional debt limit and represented 62% of its debt limit.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 11 - Long-term Debt (continued)

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.

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

Note 11 - Long-term Debt (continued)

Changes in Indebtedness

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

	June 30, 2012	New Issues/ Additions	Maturities/ Payments	June 30, 2013	Amount Due Within One Year
Governmental activities:					
General obligation bonds	\$ 40,533,545	\$ 3,610,000	\$ 7,241,283	\$ 36,902,262	\$ 3,725,427
HUD Section 108 note payable	849,000	-	140,000	709,000	150,000
Other long-term liabilities:					
Due to employees					
retirement systems	394,479	-	125,132	269,347	131,389
Lease obligations payable	679,436	64,160	195,470	548,126	62,345
Other postemployment benefits	5,862,192	2,827,435	1,757,448	6,932,179	2,827,435
Judgments and claims payable	683,633	248,796	201,224	731,205	731,205
Compensated absences	1,623,811	902,717	-	2,526,528	2,526,528
Self insurance liability	713,497	37,288	29,729	721,056	30,000
Total other long-term liabilities	9,957,048	4,080,396	2,309,003	11,728,441	6,308,902
Total indebtedness	\$ 51,339,593	\$ 7,690,396	\$ 9,690,286	\$ 49,339,703	\$ 10,184,329
	June 30, 2012	New Issues/ Additions	Maturities/ Payments	June 30, 2013	Amount Due Within One Year
Business-type activities:					
General obligation bonds:					
Total general obligation bonds	\$ 8,172,200	\$ -	\$ 1,136,185	\$ 7,036,015	\$ 1,154,824
Other long-term liabilities:					
Landfill post closure liability	5,512,129	-	593,332	4,918,797	500,000
Total indebtedness	\$ 13,684,329	\$ -	\$ 1,729,517	\$ 11,954,812	\$ 1,654,824

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 11 - Long-term Debt (continued)

Debt Maturity Schedules

The following is a summary of bonds outstanding at June 30, 2013 with corresponding maturity schedules:

<u>Bonds Payable</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>
Public Improvement	03/15/01	03/01/22	0.00%	\$ 69,582
Public Improvement	04/12/01	03/01/17	0.00%	202,732
Sewer Refunding	06/20/02	11/15/24	1.326%-1.632%	595,000
Sewer Refunding	06/20/02	05/15/24	1.414%-1.941%	19,105,000
NYS EFC	03/13/03	04/15/17	.801%-2.137%	505,000
Public Improvement	06/01/03	06/01/23	3.25%-4.125%	2,580,000
NYS EFC	07/24/03	01/15/24	.721%-3.338%	345,000
NYS EFC	07/24/03	01/15/24	.790%-4.500%	1,480,000
Public Improvement	06/01/06	06/01/26	4.125%-4.200%	2,540,000
Public Improvement	06/01/08	06/01/22	1.990%-2.570%	2,215,000
Public Improvement	10/05/12	06/01/23	1.25%-2.375%	2,925,000
NYPA Energy Conservation	03/01/09	03/01/29	1.92%	3,345,963
Public Improvement	6/1/2011	06/01/23	2%-4%	8,030,000
Total general obligation bonds				<u>\$43,938,277</u>

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

<u>Years</u> <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>
2014	\$ 3,725,427	\$ 993,306	\$ 472,824	\$ 1,154,824	\$ 285,374	\$ 10,980
2015	3,704,061	913,477	434,000	833,987	249,623	8,371
2016	3,647,712	831,287	397,102	853,149	218,452	5,653
2017	3,662,632	710,398	358,768	886,732	188,505	2,827
2018	3,715,795	663,430	319,369	765,847	151,215	-
2019-2023	14,751,053	1,889,490	954,405	2,541,476	278,369	-
2024-2028	3,525,523	158,835	51,451	-	-	-
2029	170,059	-	-	-	-	-
	<u>\$ 36,902,262</u>	<u>\$ 6,160,223</u>	<u>\$ 2,987,919</u>	<u>\$ 7,036,015</u>	<u>\$ 1,371,538</u>	<u>\$ 27,831</u>

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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 11 - Long-term Debt (continued)

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

Years Ending	Governmental Activities		
	Principal	Interest	Total
2014	\$ 150,000	\$ 27,284	\$ 177,284
2015	160,000	20,972	180,972
2016	170,000	13,979	183,979
2017	180,000	6,266	186,266
2018	49,000	1,117	50,117
	<u>\$ 709,000</u>	<u>\$ 69,618</u>	<u>\$ 778,618</u>

Interest paid on notes varies from year to year, in accordance with the interest rates specified in the note agreements. In addition to the above, the City has a short-term note payable of approximately \$2,093,000 due to NYS EFC which is due in May 2014, at which time this note will be evaluated by the EFC as eligible for forgiveness (75%) and long-term financing (25%).

For the year ended June 30, 2013, the City of Auburn, New York recognized interest expense of \$1,255,516 for governmental activities and \$229,051 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.

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 Receivables	Interfund Payables	Interfund Transfers In	Interfund Transfers Out
Governmental funds:				
General Fund	\$ 1,850,582	\$ -	\$ 5,779	\$ 2,505,802
Sewer Fund	-	988,633	-	60,000
Special Grant Fund	-	69,258	-	-
Capital Projects Fund	-	462,656	1,899	5,776
Non-Major governmental funds	-	535,679	65,000	1,100
Total governmental funds	<u>1,850,582</u>	<u>2,056,226</u>	<u>72,678</u>	<u>2,572,678</u>
Enterprise funds:				
Power Utility Fund	271,880	-	2,500,000	-
Solid Waste Fund	-	66,236	-	-
Total enterprise funds	<u>271,880</u>	<u>66,236</u>	<u>2,500,000</u>	<u>-</u>
Total	<u>\$ 2,122,462</u>	<u>\$ 2,122,462</u>	<u>\$ 2,572,678</u>	<u>\$ 2,572,678</u>

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 12 - Interfund Transactions (continued)

At June 30, 2013, the interfund balance due to the Power Utility fund from the General fund was approximately \$272,000. The commitments of the Power Utility fund are more fully described in Note 18. City management has continued its efforts to develop various options to enhance the financial viability of the Power Utility fund and believes that it will increase revenues and other financing sources and reduce expenses going forward. Accordingly, management projects that the balances due to the General fund will be repaid by the Power Utility fund over its operating cycle.

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, 2013 the City recognized approximately \$1,757,000 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, 2012 which indicates that the liability for other postemployment benefits is \$6,932,179, which is reflected in the Statement of Net Position.

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:

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 13 - Other Postemployment Benefits (continued)

	June 30, 2013
Annual required contribution	\$ 2,808,765
Interest on net OPEB obligation	232,198
Adjustment to annual required contribution	<u>(213,528)</u>
Annual OPEB cost	2,827,435
Contributions made	<u>(1,757,448)</u>
Increase in net OPEB obligation	1,069,987
Net OPEB obligation - beginning of year	<u>5,862,192</u>
Net OPEB obligation - end year	<u><u>\$ 6,932,179</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2013 and the two preceding years are as follows:

Fiscal year ended	Annual OPEB Cost	Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 2,827,435	\$ 1,757,448	62.2%	\$ 6,932,179
June 30, 2012	2,827,435	2,125,192	75.2%	5,862,192
June 30, 2011	3,027,986	1,334,755	44.1%	5,159,949

Funded Status and Funding Progress: As of June 30, 2012, the plan was 0% funded. The actuarial accrued liability for benefits was \$45,789,831, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$45,789,831. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14.2 million, and the ratio of the UAAL to the covered payroll was approximately 323%. 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.

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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 13 - Other Postemployment Benefits (continued)

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, 2012, 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 4.2% increasing to 10.8% in 2014 for medical reduced by decrements to an ultimate rate of 4.2%. 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, 2013 was 27 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 \$721,056 of workers' compensation claims on the statement of net position as self-insurance liability which are expected be paid out over the next twenty-three years.

Judgments and Claims

As of June 30, 2013, the City has estimated a liability for judgments and claims of approximately \$731,000. The City has accrued approximately \$731,000 in general claims, there are 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 be become due within one year.

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 Professional Liability		Police and Fire Workers' Compensation	
	2013	2012	2013	2012
Unpaid claims and claim adjustment expenses - beginning of year	\$ 683,633	\$ 603,826	\$ 713,497	\$ 27,215
Provisions and changes in provisions for claims and claim adjustment expenses:	248,796	100,213	37,288	713,497
Payments on claims and claims adjustment expenses attributable to insured events:	201,224	20,406	29,729	27,215
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 731,205</u>	<u>\$ 683,633</u>	<u>\$ 721,056</u>	<u>\$ 713,497</u>

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

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 \$4.9 million reported as landfill closure and post closure care liability at June 30, 2013 represents approximately \$779,000 anticipated closing costs, and \$3.2 million post closure costs, and \$1.0 million of post closure care monitoring for landfill site #1, which was closed September 1992.

The \$4.9 million of the total anticipated closing costs for landfill site #2 is based on 86% 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 \$3,200,000. Estimated closure costs remaining to be incurred are \$779,000.

The anticipated remaining life of landfill #2, including cell 4, is about four 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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 16 - Deferred Compensation (continued)

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.

The City is a defendant in various 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, 2013, the City had outstanding contracts with various vendors for the construction of the following capital projects:

Transportation	\$ 3,945,170
Home and community	190,831
Public safety	73,230
Culture and recreation	8,412
	<u>\$ 4,217,643</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.

CITY OF AUBURN, NEW YORK
Notes to the Financial Statements

Note 18 – Commitments (continued)

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. At the termination of the contract, the City may elect to purchase the co-generation facility at fair market value. Subsequent to June 30, 2013, the City executed a letter of intent to purchase the facility in April 2014 for approximately \$5 million. Should this purchase be completed, management expects significant savings to be attained after terminating the ESA payments.

Note 19 – Stewardship, Compliance and Accountability – Deficit Fund Balances

The City's Capital Projects Fund had a deficit fund balance of \$8,333,000, net of encumbrances of \$8 million. The Capital Projects fund deficit is expected to be eliminated with permanent financing and the City is currently in the process of developing a plan to eliminate the deficit in the Power Utility fund.

Note 20 – Subsequent Events

On July 2, 2013, the City issued \$2,500,000 in serial bonds to finance the cost of the 2013-14 road improvement program.

On August 1, 2013, the City issued \$250,000 in serial bonds to finance the cost of sidewalk improvements.

On August 22, 2013, the City issued \$4,000,000 in serial bonds to finance the cost of reconstruction of the city water supply and distribution system.

On October 3, 2013, the City issued \$745,000 in serial bonds to finance the purchase of equipment for the public works department.

Required Supplementary Information

CITY OF AUBURN, NEW YORK
Budgetary Comparison Schedule
General Fund - Non-GAAP Budget Basis
For the year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real property taxes	\$ 11,252,879	\$ 11,252,879	\$ 11,058,773	\$ (194,106)
Real property tax items	831,500	831,500	901,219	69,719
Nonproperty tax items	8,800,000	8,800,000	8,628,085	(171,915)
Departmental income	813,100	813,100	765,869	(47,231)
Intergovernmental charges	246,500	246,500	262,934	16,434
Use of money and property	119,000	119,000	205,394	86,394
Licenses and permits	110,700	110,700	130,481	19,781
Fines and forfeitures	309,700	309,700	253,166	(56,534)
Sale of property and compensation for loss	209,500	209,500	233,181	23,681
Miscellaneous local sources	130,000	130,000	113,236	(16,764)
Interfund revenues	2,025,370	2,025,370	1,934,258	(91,112)
State sources	6,910,854	6,969,554	5,990,715	(978,839)
Federal sources	70,099	291,135	99,577	(191,558)
Total revenues	<u>31,829,202</u>	<u>32,108,938</u>	<u>30,576,888</u>	<u>(1,532,050)</u>
EXPENDITURES				
General governmental support	4,684,307	4,159,406	3,847,695	(311,711)
Public safety	17,835,704	12,492,202	12,021,010	(471,192)
Transportation	2,296,696	1,978,043	1,551,659	(426,384)
Economic assistance and opportunity	55,000	55,000	55,000	-
Culture and recreation	1,986,283	1,641,787	1,343,637	(298,150)
Home and community services	1,597,689	1,205,157	1,403,319	198,162
Employee benefits	1,350,000	9,079,358	8,530,836	(548,522)
Debt service - principal and interest	2,777,590	2,378,124	2,238,239	(139,885)
Total expenditures	<u>32,583,269</u>	<u>32,989,077</u>	<u>30,991,395</u>	<u>(1,997,682)</u>
Excess of (expenditures) revenues	<u>(754,067)</u>	<u>(880,139)</u>	<u>(414,507)</u>	<u>465,632</u>
OTHER FINANCING SOURCES (USES)				
Tax stabilization reserve	1,784,067	3,784,067	-	(3,784,067)
Interfund transfers in	-	-	5,779	5,779
Interfund transfers out	<u>(1,030,000)</u>	<u>(3,030,799)</u>	<u>(2,505,799)</u>	<u>525,000</u>
Total other financing sources	<u>754,067</u>	<u>753,268</u>	<u>(2,500,020)</u>	<u>(3,253,288)</u>
Excess of revenues and other financing sources over (expenditures) and other (uses)	<u>\$ -</u>	<u>\$ (126,871)</u>	<u>(2,914,527)</u>	<u>\$ (2,787,656)</u>
Net change in encumbrances			<u>226,349</u>	
Net change in fund balance			<u>(2,688,178)</u>	
Fund balances - beginning of year			<u>7,228,091</u>	
Fund balances - end of year			<u>\$ 4,539,913</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, 2013

	Sewer Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Departmental income	\$ 7,309,890	\$ 7,309,890	\$ 7,085,790	\$ (224,100)
Use of money and property	6,000	6,000	7,275	1,275
Sale of property and compensation for loss	-	-	2,629	2,629
Miscellaneous local sources	-	-	1,485	1,485
Interfund revenues	110,000	110,000	110,000	-
Total revenues	<u>7,425,890</u>	<u>7,425,890</u>	<u>7,207,179</u>	<u>(218,711)</u>
EXPENDITURES				
General governmental support	127,055	116,090	73,685	(42,405)
Home and community services	3,743,380	3,777,467	3,377,494	(399,973)
Employee benefits	606,571	661,236	659,265	(1,971)
Debt service - principal and interest	2,888,884	2,815,098	2,573,826	(241,272)
Total expenditures	<u>7,365,890</u>	<u>7,369,891</u>	<u>6,684,270</u>	<u>(685,621)</u>
Excess of revenues (expenditures)	<u>60,000</u>	<u>55,999</u>	<u>522,909</u>	<u>466,910</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	(60,000)	(60,000)	(60,000)	-
Total other financing (uses) sources	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Excess of revenues and other financing sources over (expenditures) and other (uses)	<u>\$ -</u>	<u>\$ (4,001)</u>	462,909	<u>\$ (466,910)</u>
Net change in encumbrances			(1,519)	
Net change in fund balance			461,390	
Fund balances - beginning of year			582,206	
Fund balances - end of year			<u>\$ 1,043,596</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, 2013

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, 2013

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 and other uses - GAAP basis	\$ 2,688,178
Beginning of year adjustment for prior year encumbrances recognized as expenditures	(126,871)
End of year adjustment for current year encumbrances not recognized as expenditures	<u>353,220</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budget Basis	<u><u>\$ 2,914,527</u></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 and other uses - GAAP basis	\$ 461,390
Beginning of year adjustment for prior year encumbrances recognized as expenditures	4,001
End of year adjustment for current year encumbrances not recognized as expenditures	<u>(2,482)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budget Basis	<u><u>\$ 462,909</u></u>