

CITY OF AUBURN
Auburn, New York
FINANCIAL REPORT
June 30, 2014

CITY OF AUBURN
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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Auburn Industrial Development Authority and the Auburn Housing Authority, which represent 100 percent of the City's discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Auburn Industrial Development Authority and the Auburn Housing Authority, are based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, New York, as of June 30, 2014, 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.

Emphasis of a Matter

During the year ended June 30, 2014, the City of Auburn, New York implemented Governmental Accounting Standards Board (GASB) Statement Number 65, "Items Previously Reported as Assets and Liabilities" and GASB Statement Number 66, "Technical Corrections - 2012." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and Schedule of Funding Progress on pages 4 through 11, and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 on our consideration of the City of Auburn, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.

Croschi, Dietschhagen, Little, Michels & Condy, LLP

November 6, 2014
Ithaca, New York

Management's Discussion and Analysis

CITY OF AUBURN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. Please read it in conjunction with the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The City's unassigned General Fund balance at June 30, 2014 is \$3,591,000. The total fund balance in the General Fund increased by approximately \$352,000 in 2014 compared to a loss of \$2.7 million in 2013.
- The net position of the City overall including governmental activities, business- type activities and capital assets increased by \$4.3 million or 6.0%.
- City expenses overall decreased in 2014 by \$959,000 from 2013. Overall revenues decreased in 2014 by \$1,058,000 over 2013.
- The amount of debt the City has outstanding at June 30, 2014 for capital projects and equipment purchases increased by \$16.0 million over June 30, 2013 and now approximates \$90.6 million.
- The resources available for appropriation in the General Fund were \$1,500,470 less than budgeted and the expenditures were \$2,884,326 less when compared to budget. Expenditures were less compared to the budget primarily due to employee benefits being less than budgeted. In addition, there were vacancies in several positions for a portion of the year.
- The City purchased the landfill to gas cogeneration facility in April of 2014 to end an unfavorable energy services agreement with a partner for-profit company. This purchase was just under \$5.0 million and is recorded as a capital asset addition in the Power Utility fund.
- The City converted two bond anticipation notes to long term debt in the amount of \$1,073,600 and issued an additional \$16,843,271 in bond anticipation notes. The additional issuances were related to the purchase of the landfill to gas cogeneration facility, the Franklin Street Waterline project and various other transportation projects of which will be largely repaid with grant funds.

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 12 through 14a) 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 15. 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.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 12, 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.

CITY OF AUBURN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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

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

CITY OF AUBURN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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 22. 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, 2014 increased from \$71,291,817 to \$75,593,556, in comparison to last year when net position increased by \$4,401,012. By far, the largest portion of the City's net position (80.3%) 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 (2.2%) 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 \$13,212,229, may be used to meet the government's ongoing obligations and services to creditors and citizens.

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
	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2013-2014
Current assets	\$ 43,903	\$ 36,458	\$ 6,198	\$ 10,151	\$ 50,101	\$ 46,609	7%
Other noncurrent assets	4,028	4,220	85	255	4,113	4,475	-8%
Capital assets, net	125,289	109,656	15,954	9,580	141,243	119,236	18%
Total Assets	173,220	150,334	22,237	19,986	195,457	170,320	15%
Current liabilities	53,896	41,429	12,279	8,144	66,175	49,573	33%
Noncurrent liabilities	44,170	39,156	9,518	10,300	53,688	49,456	9%
Total Liabilities	98,066	80,585	21,797	18,444	119,863	99,029	21%
Net investment in capital assets	71,199	62,900	160	1,062	71,359	63,962	12%
Restricted	9	9			9	9	0%
Unrestricted	3,946	6,840	280	480	4,226	7,320	42%
Total Net Position	\$ 75,154	\$ 69,749	\$ 440	\$ 1,542	\$ 75,594	\$ 71,291	6%

The net position of the City's Governmental Activities increased by 7.8% or \$5,404,191 during fiscal 2014. 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 \$6,840,435 at June 30, 2013 to \$3,945,737 at June 30, 2014. This decrease in unrestricted governmental net position is primarily due to the increase in the net investment in capital assets.

CITY OF AUBURN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

The net position of the Business-type Activities decreased by \$1,102,452 during the year ending June 30, 2014. The total non-capital portion of net position of \$480,270 at June 30, 2013 decreased to \$279,340 at June 30, 2014, primarily due to the operating losses sustained in those funds.

The City's total revenues decreased by 2.0%, or \$1,057,858. The total cost of all programs and services decreased by 2.0%, or \$958,585. 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
	2014	2013	2014	2013	2014	2013	2013-2014
PROGRAM REVENUES							
Charges for services	\$ 14,385	\$ 15,537	\$ 3,168	\$ 3,612	\$ 17,553	\$ 19,149	-8%
Operating grants	1,205	2,200			1,205	2,200	-45%
Capital grants	5,349	4,583			5,349	4,583	17%
GENERAL REVENUES							
Property taxes and tax items	12,667	12,394			12,667	12,394	2%
Nonproperty taxes	9,175	8,628			9,175	8,628	6%
State/Federal sources	5,194	5,188			5,194	5,188	0%
Other	1,642	1,686	12	27	1,654	1,713	-3%
Total Revenues	49,617	50,216	3,180	3,639	52,797	53,855	-2%
PROGRAM EXPENSES							
General government	4,706	5,482			4,706	5,482	-14%
Public safety	20,145	19,247			20,145	19,247	5%
Transportation	3,339	3,323			3,339	3,323	0%
Economic assistance and opportunities	50	55			50	55	-9%
Culture and recreation	2,067	2,049			2,067	2,049	1%
Home and community services	11,999	13,138			11,999	13,138	-9%
Interest on long-term debt	931	1,142			931	1,142	-18%
Power Utility			1,820	1,880	1,820	1,880	-3%
Solid Waste			3,262	3,093	3,262	3,093	5%
OTHER EXPENSES							
Loss on disposal of fixed assets	176	45			176	45	291%
Total Expenses	43,413	44,481	5,082	4,973	48,495	49,454	-2%
Excess before transfers	6,204	5,735	(1,902)	(1,334)	4,302	4,401	-2%
Transfers/capital contributions	(800)	(2,500)	800	2,500			0%
Increase (Decrease) in Net Assets	\$ 5,404	\$ 3,235	\$ (1,102)	\$ 1,166	\$ 4,302	\$ 4,401	-2%

CITY OF AUBURN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

Governmental Activities - Fund Basis

Revenues for the City's Governmental Activities increased \$1,285,478, or 2.7%, while total expenditures increased \$6,268,655, or 11.4%. The revenue increase is mainly due to sales tax revenue growth and an increase in water rates. The expense increase is due to an increase in capital outlay. Capital outlay grew by \$7.2 million between 2012-13 and 2013-14.

The City increased its property tax rate to \$12.58 per thousand in 2013-14 versus \$12.32 per thousand in 2012-13. The City's tax levy, supported by a stable taxable assessed valuation, increased to \$11,808,877 in 2013-14. These amounts are included within the property taxes and tax items lines, which indicate an overall 2.1% rate increase from 2013 to 2014.

Figure 3
Revenue by Source - Governmental Activities

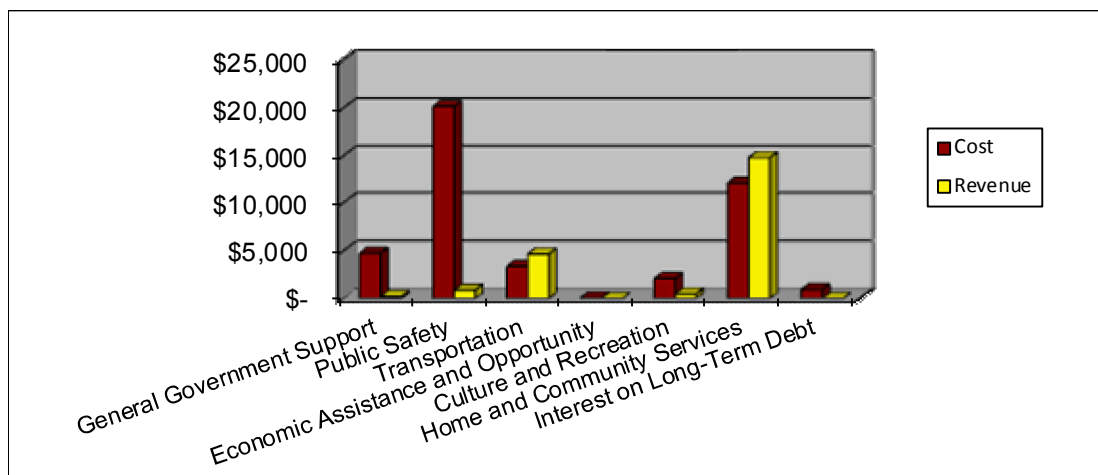
Revenue by Source - Governmental Activities		
Charges for Services	\$ 14,385	29%
Operating Grants	1,205	2%
Capital Grants	5,349	11%
Property Taxes	12,667	26%
Sales, Gross Receipts and Franchise Taxes	9,175	19%
State/Federal Sources	5,194	10%
Other	1,642	3%
Total	\$ 49,617	100%

The cost of all governmental activities this year was \$43,237,211. 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 \$12,666,668, because some of the cost was paid by those who directly benefited from the programs which was \$14,385,137, or by other governments and organizations that subsidized certain programs with grants and contributions which totaled \$6,554,741. Overall, the City's governmental program revenues, including fees for services and grants, were \$20,939,878. The City paid for the remaining "public benefit" portion of governmental activities with \$28,677,883 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

Figure 4
Net Program Cost – Governmental Activities



Business-type Activities

Operating revenues of the City's Business-type Activities (see Figure 2) decreased by 12.3%, or \$443,546, in 2014. Operating expenses increased in 2014 by 3.4%, or \$165,706. The main increase in expenses was in contractual services in the Solid Waste fund. Revenues decreased due to the decreasing volume at the landfill and the hydroelectric power plants not generating energy in fiscal 2014.

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 deficit of \$(4,338,445), which is lower than last year's fund balance of \$1,661,894. Figure 5 and Figure 6 show the changes in fund balances for the year for the City's major funds. Of the \$(4,338,445), a deficit in the Capital Projects fund of \$(14,901,112) is unassigned and as such is not available for spending. The remaining nonspendable, restricted, committed and assigned fund balances are segregated to indicate 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. The aggregated fund balance is in a deficit position due to the issuance of bond anticipation notes in the capital projects fund for capital improvements throughout the City. They will no longer be liabilities in the funds once they are converted to long-term financing.

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

	Governmental Funds		Percent Change
	2014	2013	2013-2014
General Fund	\$ 4,892	\$ 4,540	8%
Sewer Fund	1,774	1,043	70%
Special Grant Fund	2,678	2,427	10%
Capital Projects Fund	(14,901)	(8,333)	-79%
Other Governmental Funds	1,219	1,985	-39%
Totals	\$ (4,338)	\$ 1,662	-361%

CITY OF AUBURN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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

	Total Enterprise Funds		Percent Change
	2014	2013	2013-2014
Power Utility Fund	\$ 189	\$ 660	-71%
Solid Waste Fund	251	882	-72%
Totals	\$ 440	\$ 1,542	-71%

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 – \$(13,211) in revenues and \$998,064 in expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the City had \$141,243,163, 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 18.5% or \$22,007,023 over last year's capital assets, net of accumulated depreciation.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 4,253	\$ 4,253	\$ 420	\$ 420	\$ 4,673	\$ 4,673	0%
Construction in progress	27,024	13,385	3,660	1,130	30,684	14,515	111%
Buildings and improvements	25,361	24,348	9,440	5,360	34,801	29,708	17%
Equipment	12,666	12,657	2,191	2,421	14,857	15,078	-1%
Infrastructure	55,985	55,013	243	249	56,228	55,262	2%
Totals	\$ 125,289	\$ 109,656	\$ 15,954	\$ 9,580	\$ 141,243	\$ 119,236	18%

CITY OF AUBURN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

At year-end, the City had entered into contracts with various vendors for total commitments outstanding of \$9,875,564, of which \$83,178 was committed for general government projects, \$694,433 was committed for public safety, \$3,083,417 was committed for transportation projects, \$36,935 was committed for culture and recreation and \$5,977,601 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 and long-term liabilities increased by \$18.9 million and brought the total to approximately \$104.7 million as of June 30, 2014, as shown in Figure 8. Of this amount approximately \$45 million is subject to the constitutional debt limit and represented 68% 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 \$15,769,671 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
	2014	2013	2014	2013	2014	2013	2013-2014
Serial Bonds	\$ 34,250	\$ 36,902	\$ 5,881	\$ 7,036	\$ 40,131	\$ 43,938	-9%
BANs	29,978	19,419	10,272	5,061	40,250	24,480	64%
Landfill closure and postclosure			4,838	4,919	4,838	4,919	-2%
Notes payable	4,939	709	18		4,957	709	599%
Lease obligations	486	548			486	548	-11%
Other long-term liabilities	13,886	11,180	124		14,010	11,180	25%
Totals	\$ 83,539	\$ 68,758	\$ 21,133	\$ 17,016	\$ 104,672	\$ 85,774	22%

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 2014-15 General Fund budget is \$34,296,633, a decrease of 0.9% over the adopted June 30, 2014, budget of \$34,617,760 including appropriations and transfers out. The tax rate decreased from \$12.58 per thousand to \$12.40 per thousand.

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, New York.

Basic Financial Statements

CITY OF AUBURN
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents, unrestricted	\$ 20,349,093	\$ 5,520,672	\$ 25,869,765
Cash and cash equivalents, restricted	11,370,438	292,468	11,662,906
Investments	8,161		8,161
Investments, restricted	9,302		9,302
Taxes receivable, net	3,674,371		3,674,371
Internal balances	(233,554)	233,554	-0-
Due from state and federal governments	3,348,817		3,348,817
Due from other governments	825,189		825,189
Other receivables, net	4,265,008	151,424	4,416,432
Loans receivable, current	113,474		113,474
Prepaid expenses			-0-
Deposits	172,700		172,700
Property leases, current			-0-
Total current assets	<u>43,902,999</u>	<u>6,198,118</u>	<u>50,101,117</u>
Noncurrent assets:			
Loans receivable, long-term	4,027,844		4,027,844
Property leases, long-term			-0-
Intangible assets, net		84,829	84,829
Capital assets, non-depreciable	31,277,670	4,079,676	35,357,346
Depreciable capital assets, net	<u>94,011,569</u>	<u>11,874,250</u>	<u>105,885,819</u>
Total noncurrent assets	<u>129,317,083</u>	<u>16,038,755</u>	<u>145,355,838</u>
Total assets	<u>\$ 173,220,082</u>	<u>\$ 22,236,873</u>	<u>\$ 195,456,955</u>

Component Units	
Auburn Industrial Development Authority	Auburn Housing Authority
\$ 299,176	\$ 2,216,571
	422,447
	156,532
	747,821
303,381	59,742
	97,609
93,239	
<u>695,796</u>	<u>3,700,722</u>
	936,287
2,191,915	
273,694	
	6,620,911
<u>2,465,609</u>	<u>7,557,198</u>
\$ <u><u>3,161,405</u></u>	\$ <u><u>11,257,920</u></u>

CITY OF AUBURN
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,745,311	\$ 599,866	\$ 3,345,177
Accrued payroll	497,743	13,241	510,984
Due to other governments	1,991,921		1,991,921
Due to employees' retirement system	910,489	29,569	940,058
Short-term note payable	3,083,369		3,083,369
Bond anticipation notes payable	29,977,591	10,271,620	40,249,211
Accrued interest payable	136,712	21,055	157,767
Unearned revenue	5,161,892		5,161,892
Current portion of long-term liabilities:			
Lease obligations payable	64,719		64,719
Bonds payable	3,807,661	833,987	4,641,648
Notes payable	519,628	1,444	521,072
Employees' retirement system note payable	240,862	3,544	244,406
Compensated absences	79,478	4,130	83,608
Other postemployment benefits	3,591,420		3,591,420
Self insurance liability	34,000		34,000
Claims and judgments payable	1,052,983		1,052,983
Landfill post closure liability		500,000	500,000
Total current liabilities	<u>53,895,779</u>	<u>12,278,456</u>	<u>66,174,235</u>
Long-term liabilities:			
Lease obligation payable	421,062		421,062
Bonds payable	30,442,482	5,047,204	35,489,686
Notes payable	4,419,134	16,309	4,435,443
Employees' retirement system note payable	1,108,793	38,187	1,146,980
Compensated absences	1,510,079	78,463	1,588,542
Other postemployment benefits	5,387,640		5,387,640
Self insurance liability	881,556		881,556
Landfill post closure liability		4,338,255	4,338,255
Total long-term liabilities	<u>44,170,746</u>	<u>9,518,418</u>	<u>53,689,164</u>
Total liabilities	<u>98,066,525</u>	<u>21,796,874</u>	<u>119,863,399</u>
NET POSITION			
Net investment in capital assets	71,198,518	160,659	71,359,177
Restricted - Nonspendable	9,302		9,302
Unrestricted	<u>3,945,737</u>	<u>279,340</u>	<u>4,225,077</u>
Total net position	<u>75,153,557</u>	<u>439,999</u>	<u>75,593,556</u>
Total liabilities and net position	<u>\$ 173,220,082</u>	<u>\$ 22,236,873</u>	<u>\$ 195,456,955</u>

Component Units	
Auburn Industrial Development Authority	Auburn Housing Authority
\$ 430,551	\$ 132,031
13,770	19,550
93,239	3,142
<u>537,560</u>	<u>154,723</u>
2,191,915	28,279
68,100	173,848
<u>2,260,015</u>	<u>202,127</u>
<u>2,797,575</u>	<u>356,850</u>
205,594	6,620,911
158,236	1,709,102
<u>363,830</u>	<u>2,571,057</u>
<u>363,830</u>	<u>10,901,070</u>
<u>\$ 3,161,405</u>	<u>\$ 11,257,920</u>

CITY OF AUBURN
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government support	\$ 4,705,977	\$ 205,203	\$	\$
Public safety	20,145,458	652,918	215,851	
Transportation	3,338,590	418,801	163,664	4,043,990
Economic assistance and opportunity	50,000			
Culture and recreation	2,066,492	121,494	49,907	306,607
Home and community services	11,999,584	12,986,721	775,916	998,806
Interest on long-term debt	931,110			
Total governmental activities	<u>43,237,211</u>	<u>14,385,137</u>	<u>1,205,338</u>	<u>5,349,403</u>
Business-type activities:				
Power utility fund	1,820,178	545,711		
Solid waste	3,262,264	2,622,578		
Total business-type activities	<u>5,082,442</u>	<u>3,168,289</u>	<u>-0-</u>	<u>-0-</u>
Total primary government	<u><u>48,319,653</u></u>	<u><u>17,553,426</u></u>	<u><u>1,205,338</u></u>	<u><u>5,349,403</u></u>
Component units:				
Auburn Industrial Development Authority				
Auburn Housing Authority				
Total component units	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

Net (expense) revenue and changes brought forward:

GENERAL REVENUES

Real property taxes
Real property tax items
Sales taxes
Utilities gross receipts tax
Franchise taxes
Use of money and property
Sale of property and compensation for loss
Miscellaneous local sources
State and federal sources not restricted to specific programs
Gain (loss) on disposal of fixed assets
Transfers - internal activities
Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Governmental Activities	Business- type Activities	Total Primary Government	Auburn Industrial Development Authority	Auburn Housing Authority
\$ (4,500,774)	\$	\$ (4,500,774)	\$	
(19,276,689)		(19,276,689)		
1,287,865		1,287,865		
(50,000)		(50,000)		
(1,588,484)		(1,588,484)		
2,761,859		2,761,859		
(931,110)		(931,110)		
<u>(22,297,333)</u>	<u>-0-</u>	<u>(22,297,333)</u>		
	(1,274,467)	(1,274,467)		
	<u>(639,686)</u>	<u>(639,686)</u>		
<u>-0-</u>	<u>(1,914,153)</u>	<u>(1,914,153)</u>		
<u>(22,297,333)</u>	<u>(1,914,153)</u>	<u>(24,211,486)</u>		
			(1,393,227)	
				<u>96,711</u>
			<u>(1,393,227)</u>	<u>96,711</u>
<u>(22,297,333)</u>	<u>(1,914,153)</u>	<u>(24,211,486)</u>	<u>(1,393,227)</u>	<u>96,711</u>
11,734,045		11,734,045		
932,623		932,623	1,370,480	
8,482,628		8,482,628		
242,665		242,665		
449,417		449,417		
167,303	11,701	179,004	46	22,674
174,587		174,587		
1,300,605		1,300,605	112,300	100,819
5,194,010		5,194,010		
(176,359)		(176,359)		1,034,538
<u>(800,000)</u>	<u>800,000</u>			
<u>27,701,524</u>	<u>811,701</u>	<u>28,513,225</u>	<u>1,482,826</u>	<u>1,158,031</u>
5,404,191	(1,102,452)	4,301,739	89,599	1,254,742
<u>69,749,366</u>	<u>1,542,451</u>	<u>71,291,817</u>	<u>274,231</u>	<u>9,646,328</u>
<u>\$ 75,153,557</u>	<u>\$ 439,999</u>	<u>\$ 75,593,556</u>	<u>\$ 363,830</u>	<u>\$ 10,901,070</u>

CITY OF AUBURN
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund
ASSETS			
Cash and cash equivalents, unrestricted	\$ 9,776,358	\$ 362,056	\$ 2,701,094
Investments	3,026	2,750	
Investments, restricted			
Taxes receivable, net	3,674,371		
Due from other funds	847,775	609,778	
Due from state and federal governments	87,803		97,817
Due from other governments	825,189		
Other receivables, net	329,742	2,086,434	
Deposits	172,700		
Cash and cash equivalents, restricted	747,644		
Loans receivable, net			4,141,318
Total assets	<u>\$ 16,464,608</u>	<u>\$ 3,061,018</u>	<u>\$ 6,940,229</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 599,481	\$ 146,717	\$ 41,674
Accrued payroll	438,009	31,407	
Due to other funds	821,886	1,042,570	79,737
Due to other governments	1,991,921		
Due to retirement system	795,775	66,411	
Short-term note payable			
Bond anticipation notes payable			
Unearned revenue	3,688,883		
Total liabilities	<u>8,335,955</u>	<u>1,287,105</u>	<u>121,411</u>
DEFERRED INFLOWS OF RESOURCES			
Revenue not collected in the recognition period	<u>3,236,466</u>		<u>4,141,318</u>
FUND BALANCES			
Nonspendable			
Committed	1,200,570	773	
Assigned	100,950	1,773,140	2,677,500
Unassigned	3,590,667		
Total fund balances	<u>4,892,187</u>	<u>1,773,913</u>	<u>2,677,500</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,464,608</u>	<u>\$ 3,061,018</u>	<u>\$ 6,940,229</u>

Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
\$ 6,643,174	\$ 866,411	\$ 20,349,093
	2,385	8,161
	9,302	9,302
		3,674,371
1,291,339	126,598	2,875,490
3,163,197		3,348,817
		825,189
776,669	1,072,163	4,265,008
		172,700
10,622,794		11,370,438
		4,141,318
<u>\$ 22,497,173</u>	<u>\$ 2,076,859</u>	<u>\$ 51,039,887</u>
\$ 1,835,397	\$ 122,042	\$ 2,745,311
	28,327	497,743
505,731	659,120	3,109,044
		1,991,921
	48,303	910,489
3,083,369		3,083,369
29,977,591		29,977,591
1,473,009		5,161,892
<u>36,875,097</u>	<u>857,792</u>	<u>47,477,360</u>
<u>523,188</u>		<u>7,900,972</u>
	9,302	9,302
	34,209	1,235,552
	1,175,556	5,727,146
<u>(14,901,112)</u>		<u>(11,310,445)</u>
<u>(14,901,112)</u>	<u>1,219,067</u>	<u>(4,338,445)</u>
<u>\$ 22,497,173</u>	<u>\$ 2,076,859</u>	<u>\$ 51,039,887</u>

CITY OF AUBURN
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Governmental Fund Balances (Deficit)	\$	(4,338,445)
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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	\$ 203,365,080	
Accumulated depreciation	<u>(78,075,841)</u>	
		125,289,239

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		7,900,972
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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	(136,712)	
Employees' retirement system note payable	(1,349,655)	
Compensated absences	(1,589,557)	
Self insurance liability	(915,556)	
Other postemployment benefits	(8,979,060)	
Claims and judgments	<u>(1,052,983)</u>	
		(14,023,523)

Long term liabilities, including bonds payable, lease obligations payable, and notes payable are not due and payable in the current period, and therefore, are not reported in the funds.

Bonds payable	(34,250,143)	
Leases payable	(485,781)	
Notes payable	<u>(4,938,762)</u>	
		<u>(39,674,686)</u>

Net Position of Governmental Activities	\$	<u><u>75,153,557</u></u>
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CITY OF AUBURN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund
REVENUES			
Real property taxes	\$ 11,201,369	\$	\$
Real property tax items	1,228,911		
Nonproperty taxes	9,174,710		
Departmental income	816,269	7,324,271	248,684
Intergovernmental charges	274,025		
Use of money and property	101,691	747	50,998
Licenses and permits	197,696		
Fines and forfeitures	296,052		795
Sale of property and compensation for loss	164,124	10,726	
Miscellaneous local sources	106,023		
Interfund revenue	2,059,737	110,000	
State sources	6,030,340		
Federal sources	225,555		753,108
Total revenues	<u>31,876,502</u>	<u>7,445,744</u>	<u>1,053,585</u>
EXPENDITURES			
General government support	3,395,092	62,139	
Public safety	11,987,222		
Transportation	1,510,221		
Economic assistance and opportunity	50,000		
Culture and recreation	1,337,036		
Home and community services	1,384,029	3,314,302	569,524
Employee benefits	7,733,336	553,004	
Debt service:			
Debt principal - serial bonds and other long-term debt	1,507,731	2,056,388	150,000
Debt principal - bond anticipation notes	766,813	221,052	
Debt interest	399,326	463,897	15,142
Capital outlay	275,889	44,645	68,179
Total expenditures	<u>30,346,695</u>	<u>6,715,427</u>	<u>802,845</u>
Excess of (expenditures) revenue	<u>1,529,807</u>	<u>730,317</u>	<u>250,740</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in			
Interfund transfers out	(1,177,533)		
Bond anticipation notes redeemed from appropriations			
Proceeds from long-term debt			
Total other financing sources (uses)	<u>(1,177,533)</u>	<u>-0-</u>	<u>-0-</u>
Net changes in fund balances	352,274	730,317	250,740
Fund balances - beginning of year	<u>4,539,913</u>	<u>1,043,596</u>	<u>2,426,760</u>
Fund balances - end of year	<u>\$ 4,892,187</u>	<u>\$ 1,773,913</u>	<u>\$ 2,677,500</u>

Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$
		11,201,369
		1,228,911
		9,174,710
	4,029,207	12,418,431
		274,025
	2,332	155,768
		197,696
		296,847
	23,001	197,851
337,853		443,876
	110,000	2,279,737
1,560,800		7,591,140
3,178,948		4,157,611
<u>5,077,601</u>	<u>4,164,540</u>	<u>49,617,972</u>
47,231	63,740	3,568,202
		11,987,222
88,055		1,598,276
		50,000
		1,337,036
276,807	2,216,507	7,761,169
	418,892	8,705,232
	223,945	3,938,064
	109,465	1,097,330
	46,497	924,862
19,936,603	76,294	20,401,610
<u>20,348,696</u>	<u>3,155,340</u>	<u>61,369,003</u>
<u>(15,271,095)</u>	<u>1,009,200</u>	<u>(11,751,031)</u>
2,152,533		2,152,533
	(1,775,000)	(2,952,533)
1,097,330		1,097,330
5,453,362		5,453,362
<u>8,703,225</u>	<u>(1,775,000)</u>	<u>5,750,692</u>
(6,567,870)	(765,800)	(6,000,339)
<u>(8,333,242)</u>	<u>1,984,867</u>	<u>1,661,894</u>
\$ <u>(14,901,112)</u>	\$ <u>1,219,067</u>	\$ <u>(4,338,445)</u>

CITY OF AUBURN
RECONCILIATION OF THE 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, 2014

Net change in fund balances of governmental funds	\$	(6,000,339)
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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	\$ 20,401,610	
Depreciation	<u>(4,592,468)</u>	
		15,809,142

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(211)
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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.

Long-term debt issued	(5,453,362)	
Repayment of debt	<u>3,938,064</u>	
		(1,515,298)

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	(6,248)	
Employees' retirement system note payable	(1,080,308)	
Compensated absences	936,971	
Self insurance liability	(194,500)	
Other postemployment benefits	(2,046,881)	
Claims and judgments	<u>(321,778)</u>	
		(2,712,744)

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 difference between the proceeds and the loss is the net book value of capital asset disposals and adjustments:

		<u>(176,359)</u>
Change in net position of governmental activities	\$	<u><u>5,404,191</u></u>

CITY OF AUBURN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities		
	Enterprise Funds		
	Power Utility Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents, unrestricted	\$ 191,933	\$ 5,328,739	\$ 5,520,672
Cash and cash equivalents, restricted	292,468		292,468
Accounts receivable, net	6,972	144,452	151,424
Due from other funds	75,296	426,155	501,451
Total current assets	566,669	5,899,346	6,466,015
Noncurrent assets:			
Intangible assets, net	84,829		84,829
Capital assets, non-depreciable	3,744,313	335,363	4,079,676
Depreciable capital assets, net	6,480,050	5,394,200	11,874,250
Total noncurrent assets	10,309,192	5,729,563	16,038,755
Total assets	\$ 10,875,861	\$ 11,628,909	\$ 22,504,770
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 175,089	\$ 424,777	\$ 599,866
Accrued payroll		13,241	13,241
Due to other funds	116,157	151,740	267,897
Due to employees' retirement system		29,569	29,569
Bonds payable	54,187	779,800	833,987
Note payable		1,444	1,444
Compensated absences		4,130	4,130
Employees' retirement system note payable		3,544	3,544
Landfill post closure liability		500,000	500,000
Bond anticipation notes payable	9,939,300	332,320	10,271,620
Bond interest payable	732	20,323	21,055
Total current liabilities	10,285,465	2,260,888	12,546,353
Non-current liabilities:			
Bonds payable	401,501	4,645,703	5,047,204
Note payable		16,309	16,309
Compensated absences		78,463	78,463
Employees' retirement system note payable		38,187	38,187
Landfill post closure liability		4,338,255	4,338,255
Total non-current liabilities	401,501	9,116,917	9,518,418
Total liabilities	10,686,966	11,377,805	22,064,771
NET POSITION			
Net investment in capital assets	206,672	(46,013)	160,659
Unrestricted	(17,777)	297,117	279,340
Total net position	\$ 188,895	\$ 251,104	\$ 439,999

CITY OF AUBURN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities		
	Enterprise Funds		
	Power Utility Fund	Solid Waste Fund	Total
REVENUES			
Charges for services	\$ 538,288	\$ 2,608,127	\$ 3,146,415
Other operating revenue	7,423	14,451	21,874
Total operating revenues	<u>545,711</u>	<u>2,622,578</u>	<u>3,168,289</u>
OPERATING EXPENSES			
Salaries and wages		482,770	482,770
Contractual services	1,551,056	1,374,425	2,925,481
Employee benefits		302,788	302,788
Depreciation and amortization	260,145	938,513	1,198,658
Total operating expenses	<u>1,811,201</u>	<u>3,098,496</u>	<u>4,909,697</u>
(Loss) from operations	<u>(1,265,490)</u>	<u>(475,918)</u>	<u>(1,741,408)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	3,091	8,610	11,701
Interest expense	<u>(8,977)</u>	<u>(163,768)</u>	<u>(172,745)</u>
Total non-operating expenses	<u>(5,886)</u>	<u>(155,158)</u>	<u>(161,044)</u>
Net (loss) before transfers	(1,271,376)	(631,076)	(1,902,452)
Interfund transfers in	<u>800,000</u>		<u>800,000</u>
Net (decrease) in net position	(471,376)	(631,076)	(1,102,452)
Net position - beginning of year	<u>660,271</u>	<u>882,180</u>	<u>1,542,451</u>
Net position - end of year	<u>\$ 188,895</u>	<u>\$ 251,104</u>	<u>\$ 439,999</u>

CITY OF AUBURN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities		
	Enterprise Funds		
	Power Utility Fund	Solid Waste Fund	Total
Cash flows from operating activities			
Cash received from providing services	\$ 540,756	\$ 2,683,546	\$ 3,224,302
Cash received from other funds and other sources	7,423	14,451	21,874
Cash payments - employees		(590,940)	(590,940)
Cash payments - employee benefits		(172,374)	(172,374)
Cash payments - suppliers	(2,600,301)	(1,057,045)	(3,657,346)
Net cash (used in) provided by operating activities	(2,052,122)	877,638	(1,174,484)
Cash flows from non-capital and financing activities			
Transfers from (to) other funds	1,112,741	(340,651)	772,090
Cash flows from capital and related financing activities			
Proceeds from bond anticipation notes	4,878,800	332,320	5,211,120
Proceeds from note payable		17,753	17,753
Payments on bonds	(54,864)	(1,099,960)	(1,154,824)
Interest expense	(9,078)	(174,728)	(183,806)
Purchase of capital assets	(7,380,026)	(22,350)	(7,402,376)
Net cash (used in) capital and related financing activities	(2,565,168)	(946,965)	(3,512,133)
Cash flows from investing activities			
Interest income	3,091	8,610	11,701
Net (decrease) in cash and cash equivalents	(3,501,458)	(401,368)	(3,902,826)
Cash and cash equivalents - beginning of year	3,985,859	5,730,107	9,715,966
Cash and cash equivalents - end of year	\$ 484,401	\$ 5,328,739	\$ 5,813,140
Reconciliation of income from operations to net cash provided by (used in) operating activities:			
(Loss) from operations	\$ (1,265,490)	\$ (475,918)	\$ (1,741,408)
Depreciation and amortization	260,145	938,513	1,198,658
Change in assets and liabilities:			
Accounts receivable	2,468	75,419	77,887
Accounts payable and accrued liabilities	(1,049,245)	397,922	(651,323)
Accrued payroll and compensated absences		(25,577)	(25,577)
Due to employees' retirement system		6,090	6,090
Employees' retirement system note payable		41,731	41,731
Landfill post closure liability		(80,542)	(80,542)
Net cash (used in) provided by operating activities	\$ (2,052,122)	\$ 877,638	\$ (1,174,484)
Reconciliation of total cash and cash equivalents			
Current assets - unrestricted cash and cash equivalents	\$ 191,933	\$ 5,328,739	\$ 5,520,672
Non-current assets - restricted cash and cash equivalents	292,468		292,468
Total cash and cash equivalents	\$ 484,401	\$ 5,328,739	\$ 5,813,140

CITY OF AUBURN
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014

ASSETS

Cash and cash equivalents, unrestricted	\$ <u><u>103,542</u></u>
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LIABILITIES

Total liabilities	\$ <u><u>103,542</u></u>
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CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 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 Number 14, as amended by GASB Statement Numbers 39 and 61.

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.

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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

2. 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 provided administrative support at no cost to AIDA through May 31, 2014. As of June 1, 2014 the Cayuga Economic Development Agency provides administrative support through a contract with AIDA. The accounts for this component unit represent activity and balances for the fiscal year ended December 31, 2013. 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.

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 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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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.

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 is reported in three parts - net investment in capital assets, restricted, and unrestricted. 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:

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

a. Major Governmental Funds

General Fund - Principal operating fund; includes all operations not required to be recorded in other funds.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. The following two funds are special revenue funds:

Sewer Fund - 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.

Special Grant Fund - Used to account for Community Development Block Grants and other funding used for community development.

Capital Projects Funds - 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.

b. Non-Major Governmental Funds

Water Fund - 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 - Used to account for assets donated for cemetery maintenance.

c. Enterprise Funds

Enterprise Funds - 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 used within the City and sold to local utilities. The Solid Waste Fund accounts for disposal activities at the City's solid waste management facility. This includes administration, recycling, and disposal of waste collected by City crews.

d. Fiduciary Fund Types

Fiduciary Fund Types - Used to account for assets held by the City either in a trust or through a custodial capacity.

Agency Fund - Used to account for money and/or property received and held in the capacity of trustee, or custodian or agent, such as employee salary wage withholdings for the remittance of employee group insurance premiums.

C. Basis of Accounting/Measurement Focus

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

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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 inflows of resources 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 \$1,342,087 at June 30, 2014. 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 \$642,619 at June 30, 2014.

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.

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 and December. For the period April 1, 2013 through March 31, 2014 (the State's fiscal year), the City received funding of \$4,982,093.

Because the City is a distressed municipality and 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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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 unearned revenue by the City until such eligibility requirements are met. State grants are subject to the State single audit act requirements and to audit by the State for compliance with the grant requirements.

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 paid 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 a unearned revenue by the City until such eligibility requirements are met. Federal grants are subject to the single audit act requirements and 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 foot 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 21, 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 \$621,000.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

G. Investments

Investments are stated at fair value.

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, 2014 amounted to \$2,473,045 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
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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 \$1,545,000 were incurred for post-retirement health care benefits for 244 participants eligible through June 30, 2014. 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. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

N. Equity Classifications

1. Government-wide Statements

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

Net Investment in Capital Assets - 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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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."

2. 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 \$9,302.

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.

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.

Amounts committed consist of internally established reserves to mitigate uncertainties in expenditures. Committed funds were as follows at June 30, 2014:

General Fund:		
Other postemployment benefits reserve	\$	600,000
Reserve for worker's compensation claims		400,000
Equipment reserve		187,830
Reserve for Falcon Park		<u>12,740</u>
Total	\$	<u>1,200,570</u>
Equipment reserves:		
Sewer fund	\$	<u>773</u>
Other governmental funds	\$	<u>34,209</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 are classified as assigned fund balance. Assigned fund balances were as follows at June 30, 2014:

	Reserve for encumbrances	Remaining fund balance	Total
General Fund	\$ 100,950	\$ -0-	\$ 100,950
Sewer Fund	27,023	1,746,117	1,773,140
Special Grant Fund	39,580	2,637,920	2,677,500
Other Governmental Funds	36,370	1,139,186	1,175,556

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

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

The Solid Waste Fund net position included the following internally restricted reserves at June 30, 2014:

Solid waste fund:	
Reserve for landfill expansion	\$ 272,117
Equipment reserve	<u>25,000</u>
	<u>\$ 297,117</u>

3. 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.

O. 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.

P. 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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

Q. 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 money market account is the original principal amount.

R. Changes in Accounting Standards

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 has implemented this statement for June 30, 2014; the implementation had no significant impact on the financial statements.

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 has implemented this statement for June 30, 2014; the implementation had no significant impact on the 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 implementation for the year ended June 30, 2015.

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, 2014. The City has implemented this statement for June 30, 2014; the implementation had no significant impact on the financial statements.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, effective for the year ending June 30, 2015. The City is currently studying the statement and plans on implementation for the year ended June 30, 2015.

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 and obligations of New York State or its localities.

CITY OF AUBURN
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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.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. GASB Statement Number 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 \$35,645,604 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, 2013, of \$299,011 and for the discretely presented component unit, Auburn Housing Authority at March 31, 2014 of \$2,693,822 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 \$10,915,262 of unspent debt proceeds to be used for the acquisition, construction, or renovation of capital assets and \$747,644 of cash and cash equivalents which is required collateral for the City's health insurance policy.

As of June 30, 2014, restricted cash and cash equivalents consisted of:

Governmental activities	
General governmental support	\$ 1,536,773
Public safety	664,043
Transportation	6,706,886
Home and community services	<u>2,462,736</u>
Total governmental activities	<u>\$ 11,370,438</u>
Business-type activities	
Power utility	<u>\$ 292,468</u>

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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	\$	\$	\$ 123,227
State Reserves - Investments		968,285	
Security Deposits	18,460	60,296	
	<u>\$ 18,460</u>	<u>\$ 1,028,581</u>	<u>\$ 123,227</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 investments on the Statement of Net Position.

A summary of investments as of March 31, 2014 follows:

	Cost	Unrealized Gain (Loss)	Market Value
Unrestricted:			
Certificates of deposit	\$ 126,271	\$ 123	\$ 126,394
Asset backed securities	7,858	79	7,937
Investment - Housing authority risk retention group	22,201		22,201
Total	<u>156,330</u>	<u>202</u>	<u>156,532</u>
Restricted - United States Treasury Bills	747,726	95	747,821
Total Investments	<u>\$ 904,056</u>	<u>\$ 297</u>	<u>\$ 904,353</u>

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
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Note 5 - Other Receivables

Other receivables consist of the following as of June 30, 2014:

General Fund:		
Miscellaneous receivables	\$	329,742
Special Revenue Fund - Sewer Fund:		
Sewer rents receivable		2,041,459
Septage treatment receivable		44,975
Capital Projects Fund:		
Sidewalk revolving loan fund		362,743
Water lateral revolving loan fund		175,291
Sewer lateral revolving loan fund		238,635
Other Governmental Funds:		
Water rents receivable		<u>1,072,163</u>
Total governmental funds	\$	<u>4,265,008</u>
Power Utility Fund:		
Accounts receivable		6,972
Solid Waste Fund:		
Accounts receivable		290,786
Allowance for uncollectible receivables		<u>(146,334)</u>
Total Enterprise Funds	\$	<u>151,424</u>

Note 6 - Property Taxes

At June 30, 2014, the total real property tax receivable of \$4,512,239 is offset by an allowance for uncollectible taxes of \$837,868. The remaining portion of taxes receivable is offset by deferred inflow of resources of approximately \$3,236,446 in the fund financial statements and represents an estimate of the tax liens which will not be collected within the first 60 days of the subsequent year.

The 2014 real property tax levy for City purposes totaled \$11,808,877. 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, 2014 was \$19,042,877 leaving a margin of \$10,406,500 after \$3,172,500 of exclusions.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2014

Note 7 - Capital Assets

A summary of changes in capital assets at June 30, 2014 follows:

	June 30, 2013	Additions	Disposals	Reclassifi- cations	June 30, 2014
<u>Governmental activities</u>					
Non-depreciable capital assets:					
Land	\$ 4,252,631	\$	\$	\$	\$ 4,252,631
Construction in progress	13,384,864	18,659,031	(173,108)	(4,845,748)	27,025,039
Total non-depreciable capital assets	<u>17,637,495</u>	<u>18,659,031</u>	<u>(173,108)</u>	<u>(4,845,748)</u>	<u>31,277,670</u>
Depreciable capital assets:					
Buildings and improvements	38,597,768	4,196		1,892,121	40,494,085
Machinery and equipment	37,607,298	1,642,804	(38,055)	(52,226)	39,159,821
Infrastructure	89,332,072	95,579		3,005,853	92,433,504
Total depreciable capital assets	<u>165,537,138</u>	<u>1,742,579</u>	<u>(38,055)</u>	<u>4,845,748</u>	<u>172,087,410</u>
Total cost	<u>183,174,633</u>	<u>20,401,610</u>	<u>(211,163)</u>		<u>203,365,080</u>
Less accumulated depreciation:					
Buildings and improvements	(14,248,681)	(883,891)			(15,132,572)
Machinery and equipment	(24,950,420)	(1,578,427)	34,804		(26,494,043)
Infrastructure	(34,319,076)	(2,130,150)			(36,449,226)
Total accumulated depreciation	<u>(73,518,177)</u>	<u>(4,592,468)</u>	<u>34,804</u>		<u>(78,075,841)</u>
Governmental activities capital assets, net	<u>\$ 109,656,456</u>	<u>\$ 15,809,142</u>	<u>\$ (176,359)</u>	<u>\$ -0-</u>	<u>\$ 125,289,239</u>
<u>Business-type activities</u>					
Non-depreciable capital assets:					
Land	\$ 420,187	\$	\$	\$	\$ 420,187
Construction in progress	1,129,656	2,529,833			3,659,489
Total non-depreciable capital assets	<u>1,549,843</u>	<u>2,529,833</u>			<u>4,079,676</u>
Depreciable capital assets:					
Buildings and improvements	23,129,837	4,863,216			27,993,053
Machinery and equipment	4,624,982	9,326			4,634,308
Infrastructure	265,856				265,856
Total depreciable capital assets	<u>28,020,675</u>	<u>4,872,542</u>			<u>32,893,217</u>
Total historical cost	<u>29,570,518</u>	<u>7,402,375</u>			<u>36,972,893</u>
Less accumulated depreciation:					
Buildings and improvements	(17,769,549)	(783,194)			(18,552,743)
Machinery and equipment	(2,204,439)	(238,302)			(2,442,741)
Infrastructure	(16,846)	(6,637)			(23,483)
Total accumulated depreciation	<u>(19,990,834)</u>	<u>(1,028,133)</u>			<u>(21,018,967)</u>
Business-type activities capital assets, net	<u>\$ 9,579,684</u>	<u>\$ 6,374,242</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,953,926</u>

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2014

Depreciation expense was charged to the functions as follows:

Governmental activities	
General governmental support	\$ 153,487
Public safety	579,271
Transportation	1,322,580
Culture and recreation	174,693
Home and community services	<u>2,362,437</u>
Total Governmental Activities	<u>\$ 4,592,468</u>
Business-type activities	\$
Power utility	89,620
Solid waste	<u>938,513</u>
Total Business-Type Activities	<u>\$ 1,028,133</u>

Note 8 - Pension Plans

A. 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.

B. 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 NYSSRSSL, the Comptroller shall certify annually the rates expressed as proportions of the payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2014

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
2014	\$	1,646,215	\$	2,581,721
2013		1,402,886		2,432,793
2012		828,071		1,965,646

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.

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, 2014 the unamortized portion was \$137,958, with an expected amortization of \$137,958 in fiscal year 2015.

The City opted to amortized \$1,253,428 of the 2014 pension costs over ten years, the repayment will begin in December of 2014. Expected amortization for fiscal 2015 is \$102,904.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the City had outstanding BANs of \$40,249,211, of which \$11,415,000 was issued on March 3, 2014 at an interest rate of 1.25% and \$28,834,211 was issued on May 29, 2014 at an interest rate of 1.00%. Both are due one year from their date of issuance.

	<u>June 30, 2013</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>June 30, 2014</u>
Governmental activities:				
Capital project funds	\$ <u>19,419,040</u>	\$ <u>29,977,591</u>	\$ <u>19,419,040</u>	\$ <u>29,977,591</u>
Business-type activities:				
Solid-Waste Fund		332,320		332,320
Power utility fund	<u>5,060,500</u>	<u>9,939,300</u>	<u>5,060,500</u>	<u>9,939,300</u>
Total Bond Anticipation Notes	\$ <u>24,479,540</u>	\$ <u>40,249,211</u>	\$ <u>24,479,540</u>	\$ <u>40,249,211</u>

Short-term debt interest – Interest net of premium received on BANs in the governmental activities and business-type activities approximated \$87,142 and \$(914), respectively, for the year ended June 30, 2014.

In addition to the above, the City has two short-term notes payable due to NYS Environmental Facilities Corporation. The first approximates \$2,125,000 and is due in September 2014, at which time this note will be evaluated by the EFC as eligible for forgiveness (75%) and long-term financing (25%). The second approximates \$959,000 and is due October 2014 at which time the financing shall be turned into a zero-percent 30 year long-term loan.

Note 10 - Lease Commitments

A. Capital Leases

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

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>
Governmental Activities:				
Fire truck	\$ 500,632	\$	\$ 46,920	\$ 453,712
Camera	<u>47,494</u>		<u>15,425</u>	<u>32,069</u>
Total	\$ <u>548,126</u>	\$ <u>-0-</u>	\$ <u>62,345</u>	\$ <u>485,781</u>

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2014

The present value of capital leases is:

Year Ending June 30,		
2015	\$	84,612
2016		84,612
2017		67,946
2018		67,946
2019		67,946
2020-2022		<u>203,839</u>
		576,901
Less amount representing interest		<u>91,120</u>
Present value of future minimum lease payments	\$	<u>485,781</u>
Cost of equipment	\$	<u>809,160</u>

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

B. 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, 2014, the total outstanding indebtedness (bonds, BANs, notes, and leases payable) of the City's primary government aggregated \$104,571,886. Of this amount approximately \$45 million is subject to the constitutional debt limit and represented 68% of its debt limit.

A. 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.

B. 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.

C. 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.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2014

D. 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.

E. 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.

F. 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.

G. Changes in Indebtedness

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

	<u>June 30, 2013</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>June 30, 2014</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 36,902,262	\$ 1,073,600	\$ 3,725,719	\$ 34,250,143	\$ 3,807,661
HUD Section 108 note payable	<u>709,000</u>		<u>150,000</u>	<u>559,000</u>	<u>160,000</u>
Other long-term liabilities:					
Energy performance contract		4,379,762		4,379,762	359,628
Due to NYS retirement systems	269,347	1,211,697	131,389	1,349,655	240,862
Lease obligations payable	548,126		62,345	485,781	64,719
Other postemployment benefits	6,932,179	3,591,420	1,544,539	8,979,060	3,591,420
Judgments and claims payable	731,205	527,849	206,071	1,052,983	1,052,983
Compensated absences	2,526,528	1,589,557	2,526,528	1,589,557	79,478
Self-insurance liability	721,056	314,381	119,880	915,557	34,000
Total other long-term liabilities	<u>11,728,441</u>	<u>11,614,666</u>	<u>4,590,752</u>	<u>18,752,355</u>	<u>5,423,090</u>
Total indebtedness	<u>\$ 49,339,703</u>	<u>\$ 12,688,266</u>	<u>\$ 8,466,471</u>	<u>\$ 53,561,498</u>	<u>\$ 9,390,751</u>
Business-type activities:					
Total general obligation bonds	\$ 7,036,015		\$ 1,154,824	\$ 5,881,191	\$ 833,987
Other long-term liabilities:					
Due to NYS retirement systems		41,731		41,731	3,544
Landfill post closure liability	4,918,797		80,542	4,838,255	500,000
Notes payable		17,753		17,753	1,444
Compensate absences		82,593		82,593	4,130
Total indebtedness	<u>\$ 11,954,812</u>	<u>\$ 142,077</u>	<u>\$ 1,235,366</u>	<u>\$ 10,861,523</u>	<u>\$ 1,343,105</u>

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
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H. Debt Maturity Schedules

The following is a summary of bonds outstanding at June 30, 2014 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%	\$ 46,954
Public Improvement	04/12/01	03/01/17	0.00%	179,048
Sewer Refunding	06/20/02	11/15/24	1.326%-1.632%	555,000
Sewer Refunding	06/20/02	05/15/24	1.414%-1.941%	17,660,000
NYS EFC	03/13/03	04/15/17	.801%-2.137%	385,000
Public Improvement	06/01/03	06/01/23	3.25%-4.125%	2,170,000
NYS EFC	07/24/03	01/15/24	.790%-4.500%	1,355,000
Public Improvement	06/01/06	06/01/26	4.125%-4.200%	2,155,000
Public Improvement	06/01/08	06/01/22	1.990%-2.570%	1,900,000
Public Improvement	10/05/12	06/01/23	1.25%-2.375%	2,325,000
NYPA Energy Conservation	03/01/09	03/01/29	1.92%	3,146,732
Public Improvement	6/1/2011	06/01/23	2%-4%	7,180,000
Public Improvement	5/24/2014	05/15/24	1.5%-2.5%	1,073,600
Total general obligation bonds				<u>\$ 40,131,334</u>

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

<u>Years 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>
2015	\$ 3,807,661	\$ 1,029,058	\$ 434,000	\$ 833,987	\$ 249,623	\$ 8,371
2016	3,757,712	966,770	397,102	853,149	218,452	5,653
2017	3,777,632	881,803	358,768	886,732	188,505	2,827
2018	3,830,795	766,056	319,369	765,847	151,215	
2019	3,503,136	710,218	278,704	785,800	120,497	
2020-2024	14,405,148	1,498,978	726,463	1,755,676	157,872	
2025-2029	<u>1,168,059</u>	<u>18,784</u>	<u>690</u>			
Total	<u>\$ 34,250,143</u>	<u>\$ 5,871,667</u>	<u>\$ 2,515,096</u>	<u>\$ 5,881,191</u>	<u>\$ 1,086,164</u>	<u>\$ 16,851</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
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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

Years Ending	Governmental Activities		
	Principal	Interest	Total
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>\$ 559,000</u>	<u>\$ 42,334</u>	<u>\$ 601,334</u>

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

For the year ended June 30, 2014, the City of Auburn, New York recognized interest expense of \$838,020 for governmental activities and \$173,659 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	\$ 847,775	\$ 821,886	\$	\$ 1,177,533
Sewer Fund	609,778	1,042,570		
Special Grant Fund		79,737		
Capital Projects Fund	1,291,339	505,731	2,152,533	
Non-Major governmental funds	126,598	659,120		1,775,000
Total governmental funds	<u>2,875,490</u>	<u>3,109,044</u>	<u>2,152,533</u>	<u>2,952,533</u>
Enterprise funds:				
Power Utility Fund	75,296	116,157	800,000	
Solid Waste Fund	426,155	151,740		
Total enterprise funds	<u>501,451</u>	<u>267,897</u>	<u>800,000</u>	
Total	<u>\$ 3,376,941</u>	<u>\$ 3,376,941</u>	<u>\$ 2,952,533</u>	<u>\$ 2,952,533</u>

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 the City recognized approximately \$1,545,000 for its share of insurance costs for currently enrolled retirees. The City's plan is a single-employer postemployment benefit plan (the Plan). There is not a separate, audited GAAP postemployment benefit plan report.

The City has obtained an actuarial valuation report as of July 1, 2013 which indicates that the liability for other postemployment benefits is \$8,979,060 at June 30, 2014, 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 30 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:

	<u>June 30, 2014</u>
Annual required contribution	\$ 3,601,288
Interest on net OPEB obligation	277,287
Adjustment to annual required contribution	<u>(287,155)</u>
Annual OPEB cost	3,591,420
Contributions made	<u>(1,544,539)</u>
Increase in net OPEB obligation	2,046,881
Net OPEB obligation - beginning of year	<u>6,932,179</u>
Net OPEB obligation - end year	<u><u>\$ 8,979,060</u></u>

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2014 and the two preceding years are as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 3,591,420	\$ 1,544,539	43.0%	\$ 8,979,060
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

Funded Status and Funding Progress: As of June 30, 2014, the Plan was 0% funded. The actuarial accrued liability for benefits was \$56,812,379, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,812,379. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$15.5 million, and the ratio of the UAAL to the covered payroll was approximately 367%. 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.

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 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 July 1, 2013, 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 5.7% increasing to 10.8% in 2014 for medical reduced by decrements to an ultimate rate of 4.2%. Both rates include a 2.5% 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, 2014 was 26 years.

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

Note 14 - Self Insurance and Contingent Liabilities

A. Health Insurance

The City is self-insured for the health insurance which it provides to its employees and retirees. Claims expenditures are reported in the period incurred and are budgeted for annually based on estimates from the City's health benefits consultants. The City retains stop loss coverage in aggregate and on a per-participant basis to limit the potential liability. The Plan Administrator requires the City to maintain a deposit on hand with the administrator of \$172,700 and a reserve of \$404,000 is held in escrow for any lag claims were the City to terminate its relationship with the administrator. The City pays all claims in full every two weeks and any claims incurred during fiscal 2014 paid during fiscal 2015 are included as accounts payable and accrued liabilities.

B. 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 \$915,557 of workers' compensation claims on the Statement of Net Position as self-insurance liability which is expected be paid out over the next 22 years.

C. Judgments and Claims

As of June 30, 2014, the City has estimated a liability for judgments and claims of approximately \$1,053,000. The City has accrued approximately \$660,000 in general claims and \$393,000 in 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:

	<u>Property, Casualty and Professional Liability</u>		<u>Police and Fire Workers' Compensation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Unpaid claims and claim adjustment expenses - beginning of year	\$ 731,205	\$ 683,633	\$ 721,056	\$ 713,497
Provisions and changes in provisions for claims and claim adjustment expenses:	527,849	248,796	314,381	37,288
Payments on claims and claims adjustment expenses attributable to insured events:	<u>(206,071)</u>	<u>(201,224)</u>	<u>(119,880)</u>	<u>(29,729)</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 1,052,983</u>	<u>\$ 731,205</u>	<u>\$ 915,557</u>	<u>\$ 721,056</u>

Note 15 - Landfills - Closure and Post Closure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. In accordance with these regulations, the City had previously adopted GASB Statement Number 18, "Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs."

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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 \$4.8 million reported as landfill closure and post closure care liability at June 30, 2014 represents approximately \$837,000 anticipated closing costs, and \$4.0 million post closure costs of which \$640,000 pertains to the post closure care monitoring for landfill site #1, which was closed September 1992.

The \$837,000 anticipated closing costs for landfill site #2 are based on 74.2% 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 \$1.2 million. Estimated closure costs remaining to be incurred are \$826,000.

The anticipated remaining life of landfill #2, including cell 4, is about four and a half years, based on maximum permitted tonnage of 96,000 tons per year.

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 Number 32.

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

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

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

CITY OF AUBURN
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the City had outstanding contracts with various vendors for the construction of the following capital projects:

General government	\$	83,178
Public safety		694,433
Transportation		3,083,417
Culture and recreation		36,935
Home and community		<u>5,977,601</u>
	\$	<u><u>9,875,564</u></u>

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

The City's Capital Projects Fund had a deficit fund balance of \$(14,901,112). The Capital Projects fund deficit is expected to be eliminated with permanent financing.

Required Supplementary Information

CITY OF AUBURN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real property taxes	\$ 11,218,433	\$ 11,218,433	\$ 11,201,369	\$ (17,064)
Real property tax items	823,000	823,000	1,228,911	405,911
Nonproperty tax items	8,850,000	8,850,000	9,174,710	324,710
Departmental income	853,100	853,100	816,269	(36,831)
Intergovernmental charges	248,500	248,500	274,025	25,525
Use of money and property	97,000	97,000	101,691	4,691
Licenses and permits	309,150	309,150	197,696	(111,454)
Fines and forfeitures	302,500	302,500	296,052	(6,448)
Sale of property and compensation for loss	169,000	169,000	164,124	(4,876)
Miscellaneous local sources	102,500	102,500	106,023	3,523
Interfund revenues	2,110,000	2,110,000	2,059,737	(50,263)
State sources	8,267,000	8,267,000	6,002,610	(2,264,390)
Federal sources	40,000	26,789	253,285	226,496
Total revenues	<u>33,390,183</u>	<u>33,376,972</u>	<u>31,876,502</u>	<u>(1,500,470)</u>
EXPENDITURES				
General governmental support	3,722,315	3,807,576	3,375,734	(431,842)
Public safety	11,418,385	12,666,679	12,499,054	(167,625)
Transportation	1,825,160	1,808,667	1,521,161	(287,506)
Economic assistance and opportunity	50,000	50,000	50,000	-0-
Culture and recreation	1,519,450	1,519,272	1,358,662	(160,610)
Home and community services	1,557,450	1,547,132	1,387,148	(159,984)
Employee benefits	9,940,500	9,275,465	7,733,336	(1,542,129)
Debt service - principal and interest	2,808,500	2,808,500	2,673,870	(134,630)
Total expenditures	<u>32,841,760</u>	<u>33,483,291</u>	<u>30,598,965</u>	<u>(2,884,326)</u>
Excess of revenues (expenditures)	<u>548,423</u>	<u>(106,319)</u>	<u>1,277,537</u>	<u>1,383,856</u>
OTHER FINANCING SOURCES (USES)				
Tax stabilization reserve	277,577	277,577		(277,577)
Interfund transfers out	<u>(826,000)</u>	<u>(1,182,533)</u>	<u>(1,177,533)</u>	<u>5,000</u>
Total other financing sources	<u>(548,423)</u>	<u>(904,956)</u>	<u>(1,177,533)</u>	<u>(272,577)</u>
Excess of (expenditures) and other (uses) over revenues and other financing sources	\$ <u>-0-</u>	\$ <u>(1,011,275)</u>	<u>100,004</u>	\$ <u>1,111,279</u>
Net change in encumbrances			<u>252,270</u>	
Net change in fund balance			352,274	
Fund balances - Beginning of year			<u>4,539,913</u>	
Fund balances - End of year			\$ <u><u>4,892,187</u></u>	

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF AUBURN
BUDGETARY COMPARISON SCHEDULE - BUDGETED MAJOR SPECIAL REVENUE FUNDS
NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Sewer Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Departmental income	\$ 7,241,000	\$ 7,241,000	\$ 7,324,271	\$ 83,271
Use of money and property	2,000	2,000	747	(1,253)
Sale of property and compensation for loss			10,726	10,726
Interfund revenues	110,000	110,000	110,000	
Total revenues	<u>7,353,000</u>	<u>7,353,000</u>	<u>7,445,744</u>	<u>92,744</u>
EXPENDITURES				
General governmental support	168,200	168,200	62,139	(106,061)
Home and community services	3,619,575	3,701,108	3,383,488	(317,620)
Employee benefits	770,100	770,100	553,004	(217,096)
Debt service - principal and interest	2,795,125	2,795,125	2,741,337	(53,788)
Total expenditures	<u>7,353,000</u>	<u>7,434,533</u>	<u>6,739,968</u>	<u>(694,565)</u>
Excess of revenues (expenditures)	<u>-0-</u>	<u>(81,533)</u>	<u>705,776</u>	<u>787,309</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers out		(118,064)		118,064
Proceeds from long-term debt				0
Total other financing (uses) sources	<u>-0-</u>	<u>(118,064)</u>	<u>-0-</u>	<u>118,064</u>
Excess of (expenditures) and other (uses) over revenues and other financing sources	<u>\$ -0-</u>	<u>\$ (199,597)</u>	705,776	<u>\$ (905,373)</u>
Net change in encumbrances			<u>24,541</u>	
Net change in fund balance			730,317	
Fund balances - Beginning of year			<u>1,043,596</u>	
Fund balances - End of year			<u>\$ 1,773,913</u>	

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF AUBURN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2014	July 1, 2013	\$	\$ 56,812,379	\$ 56,812,379	0%	\$ 15,500,000	367%
6/30/2013	July 1, 2012	\$	\$ 45,789,831	\$ 45,789,831	0%	\$ 14,200,000	322%
6/30/2012	July 1, 2011	\$	\$ 45,789,831	\$ 45,789,831	0%	\$ 14,200,000	322%
6/30/2011	July 1, 2010	\$	\$ 45,087,588	\$ 45,087,588	0%	\$ 12,500,000	361%
6/30/2010	July 1, 2009	\$	\$ 43,394,357	\$ 43,394,357	0%	\$ 12,500,000	347%
6/30/2009	July 1, 2008	\$	\$ 45,215,185	\$ 45,215,185	0%	\$ 16,700,000	271%

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF AUBURN, NEW YORK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

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:

Excess of revenues and other sources over expenditures and other uses - GAAP basis	\$ 352,274
Beginning of year adjustment for prior year encumbrances recognized as expenditures	(353,220)
End of year adjustment for current year encumbrances not recognized as expenditures	<u>100,950</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budget Basis	\$ <u><u>100,004</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	\$ 730,317
Beginning of year adjustment for prior year encumbrances recognized as expenditures	2,482
End of year adjustment for current year encumbrances not recognized as expenditures	<u>(27,023)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budget Basis	\$ <u><u>705,776</u></u>

Note 4 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the 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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 6, 2014. Our report includes a reference to other auditors who audited the financial statements of the Auburn Industrial Development Agency and the Auburn Housing Authority, as described in our report on the City of Auburn's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Auburn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

A handwritten signature in black ink, reading "Cronchi, Dietershagen, Little, Michels & Condy, LLP". The signature is written in a cursive, flowing style.

November 6, 2014
Ithaca, New York

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Auburn's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Auburn complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 31, 2014.

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Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 6, 2014
Ithaca, New York

CITY OF AUBURN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-Through/ Grantor ID #</u>	<u>Amount of Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grants - Entitlement Grants	14.218	N/A	\$ <u>753,108</u>
Total Department of Housing and Urban Development			<u>753,108</u>
<u>Department of Justice</u>			
Direct Program:			
US Marshall's Service New York/New Jersey Regional Fugitive Force	16.Falcon 2008	N/A	23,983
Bullet Proof Vest Partnership Program	16.607	N/A	<u>3,121</u>
Total U.S. Department of Justice			<u>27,104</u>
<u>Department of Transportation</u>			
Passed Through NYS Department. of Transportation:			
Highway Planning and Construction	20.205	375293, 375385	2,418,092
Federal Transit/Capital Investment Grants - ARRA	20.500	375443, 375458	<u>75,794</u>
Total Department of Transportation			<u>2,493,886</u>
Environment Protection Agency			
Direct Program:			
Brownsfields Assessments and Cleanup Cooperative Agreements	66.818	N/A	<u>216,986</u>
Total Environment Protection Agency			<u>216,986</u>
Department of Education			
Passed Through Partnership for Results, Inc.:			
Twenty-First Century Community Learning Centers	84.287	16585	<u>6,045</u>
Total Department of Education			<u>6,045</u>
<u>Corporation for National and Community Service</u>			
Direct Program:			
Retired and Senior Volunteer Program	94.002	N/A	<u>18,803</u>
Total Corporation for National and Community Service			<u>18,803</u>
<u>Department of Homeland Security</u>			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	<u>150,795</u>
Total Department of Homeland Security			<u>150,795</u>
Total Federal Expenditures			\$ <u><u>3,666,727</u></u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

CITY OF AUBURN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the City of Auburn, an entity as defined in Note 1 to City of Auburn's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger, which is the source of the financial statements.

Note 3 - Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

Note 4 - Matching Costs

Matching costs, i.e., the City of Auburn's share of certain program costs, are not included in the reported expenditures.

Note 5 - Expenditures of Federal Revenue

The City of Auburn operates a revolving loan program utilizing federal financial assistance received under the Community Development Block Grants/Small Cities and Entitlement Programs. Loans outstanding at June 30, 2014 under this Program, as reported in the City's financial statements, are as follows:

Notes Receivable	\$ 4,762,652
Less: Allowance for Uncollectible Accounts	<u>(621,334)</u>
Net Notes Receivable	<u>\$ 4,141,318</u>

The City disbursed new loans in the amount of \$54,708 and received program income from the loan repayment of loan principal in the amount of \$248,684.

Note 6 - Sub-Recipients

The City of Auburn provided federal awards to sub-recipients as follows:

Community Development Block Grant - CFDA Number 14.218	
Freedom Recreational Services	\$ 9,500
Child Care Solutions	10,509
Cayuga Seneca Community Action Agency	3,796
Boyle Senior Center	14,000
Legal Aid of Mid New York	12,658
Cayuga Counseling Services	14,000
Aurora of CNY	5,799
Rescue Mission of CNY	16,500
Calvary Food Pantry	<u>7,500</u>
Total	<u>\$ 94,262</u>

CITY OF AUBURN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section I - **Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified that
are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified that
are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with Section 510(a)
of Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA	
<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants - Entitlement Grants
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between
type A and type B programs \$300,000

Auditee qualified as low-risk auditee: ☒ yes ☐ no

Section II - **Financial Statement Findings:** None

Section III - **Federal Award Findings and Questioned Costs:** None