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Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
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D. Leslie Spurgin, C.P.A.

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## Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn (the City) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 21, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant Audit Findings**

##### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. In 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Other than the adoption of GASB Statement No. 68 and GASB Statement No. 71, no new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the government-wide financial statements were:

Management's estimates of collectability of loans receivable, solid waste closure and post-closure liability, compensated absences, accumulated depreciation, other postemployment benefits liability, and the City's proportionate share of net pension liabilities. These estimates are based on aging loan receivable schedules, engineering studies of landfill capacity, current rates of compensation, estimated useful lives of capital assets, actuarial analysis of postemployment liabilities, and information provided by New York State ERS and PRFS retirement systems, respectively. We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures were:

The disclosures of capital assets, short and long-term debt, other postemployment benefits liability, and pension obligations, the details of which are presented in Notes 7, 8, 9, 11 and 13.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material corrected or uncorrected misstatements of financial information detected as a result of audit procedures.

#### ***Disagreements with Management***

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 7, 2015.

#### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Other Matters**

We applied certain limited procedures to the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress, the Schedule of the City's Contributions - NYSLRS Pension Plan, and Schedule of the City's Proportionate Share of the New Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the financial statements and the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. 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 not a required part of the financial statements. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and performed other additional procedures in accordance with auditing standards generally accepted in the United States of America.

**Restriction on Use**

This information is intended solely for the use of the City Council and management of the City of Auburn, and is not intended to be and should not be used by anyone other than these specified parties.

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

December 7, 2015  
Ithaca, New York

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Frederick J. Ciaschi, C.P.A.

### **CITY OF AUBURN**

**Auburn, New York**

### **EXECUTIVE SUMMARY**

**June 30, 2015**

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CITY OF AUBURN

EXECUTIVE SUMMARY OF 2015 AUDIT REPORT AND FINDINGS

**Basic Financial Statements**

Independent Auditor's Report on Basic Financial Statements - Page 1

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* - Page 61-62

**Description of Report and Findings**

Unmodified opinion on the City's basic financial statements for the year ended June 30, 2015.

Report on the City's internal control structure policies and procedures based on the auditor's understanding of the internal control structure and assessment of control risk obtained as part of the audit of the basic financial statements, and report on the City's compliance with laws and regulations that may have a direct and material effect on the basic financial statements.

This report identifies no material instances of noncompliance and no material internal control weaknesses.

**Single Audit (OMB A-133) Report**

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 - Page 63

Report on 1) the City's internal control structure policies and procedures used in administering federal award programs; 2) compliance with specific requirements applicable to each major federal award program.

This report identifies no material instances of noncompliance and no material internal control weaknesses regarding compliance in accordance with OMB Circular A-133.

Schedule of Expenditures of Federal Awards - Page 65

There are several federal award program expenditures that amounted to a total of \$3,534,929.

Data Collection Form

Form to be filed with Federal Clearinghouse for Single Audits summarizing results of the Single Audit.

Landfill Certification

Report on the City's compliance with the Financial Assurance Requirements for Local Government Owners/Operators of Municipal Solid Waste Landfills.

Communication with Those Charged with Governance at the Conclusion of the Audit

A letter that specifically addresses certain required communications to City Council in accordance with professional standards - there were no comments of concern to be reported regarding the following:

- Qualitative Aspects of Accounting Practices - Significant Accounting Policies - Note 1 to the Financial Statements (GASB 68 and 71 adopted)
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Findings or Issues
- Other Matters

Management Comment Letter

No new matters of concern were noted during the current year audit.

CITY OF AUBURN  
5 YEAR FINANCIAL STATEMENT ANALYSIS - GENERAL FUND

	JUNE 30, 2015	JUNE 30, 2014	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2011
<b>ASSETS</b>					
Cash and investments	\$ 13,334,991	\$ 10,699,728	\$ 8,554,634	\$ 1,265,504	\$ 11,384,756
Taxes receivable, net	3,909,526	3,674,371	3,200,152	2,746,646	2,444,895
Due from other funds	734,839	847,775	1,850,582	7,959,555	-0-
Due from state and federal governments	192,889	87,803	-0-	137,055	620,838
Other	966,214	1,154,931	1,193,664	1,317,430	1,430,923
Total Assets	<u>\$ 19,138,459</u>	<u>\$ 16,464,608</u>	<u>\$ 14,799,032</u>	<u>\$ 13,426,190</u>	<u>\$ 15,881,412</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 666,501	\$ 599,481	\$ 440,762	\$ 464,337	\$ 473,009
Accrued payroll	481,358	438,009	368,896	309,666	1,453,675
Due to other funds	1,414,464	821,886	-0-	-0-	194,186
Due to other governments	2,146,371	1,991,921	1,823,302	1,734,793	1,591,146
Due to retirement systems	1,522,898	795,775	937,178	834,400	787,138
Unearned revenue	3,688,903	3,688,883	-0-	-0-	-0-
Total Liabilities	<u>9,920,495</u>	<u>8,335,955</u>	<u>3,570,138</u>	<u>3,343,196</u>	<u>4,499,154</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Revenue not collected in the recognition period	<u>\$ 3,480,057</u>	<u>\$ 3,236,466</u>	<u>\$ 6,688,981</u>	<u>\$ 2,854,903</u>	<u>\$ 2,500,188</u>
<b>FUND BALANCE</b>					
Committed	1,802,113	1,200,570	1,200,570	1,200,570	2,938,882
Assigned	138,469	100,950	353,220	126,871	234,488
Unassigned	3,797,325	3,590,667	2,986,123	5,900,650	5,708,700
Total Fund Balances	<u>5,737,907</u>	<u>4,892,187</u>	<u>4,539,913</u>	<u>7,228,091</u>	<u>8,882,070</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,138,459</u>	<u>\$ 16,464,608</u>	<u>\$ 14,799,032</u>	<u>\$ 13,426,190</u>	<u>\$ 15,881,412</u>

CITY OF AUBURN  
5 YEAR FINANCIAL STATEMENT ANALYSIS - GENERAL FUND (CONTINUED)

**REVENUES**

Real property taxes and tax items	\$ 12,505,650	\$ 12,430,280	\$ 11,959,992	\$ 11,637,607	\$ 11,290,895
Nonproperty taxes	9,604,503	9,174,710	8,628,085	8,718,687	8,958,502
Departmental and intergovernmental charges	1,121,049	1,090,294	1,028,803	1,180,818	1,279,606
Use of money and property	238,889	101,691	205,394	101,482	209,407
State aid	6,018,194	6,030,340	5,990,715	5,496,003	6,733,607
Federal aid	318,567	225,555	99,577	64,581	228,755
Interfund revenue	1,841,218	2,059,737	1,934,258	2,077,526	50,967
Transfers and other	2,303,684	763,895	735,843	1,485,912	2,900,323
Total Revenues	<u>33,951,754</u>	<u>31,876,502</u>	<u>30,582,667</u>	<u>30,762,616</u>	<u>31,652,062</u>

**EXPENDITURES**

General Support	3,298,074	3,395,092	3,810,809	2,733,847	3,789,706
Public safety	12,112,068	11,987,222	11,317,397	12,485,492	12,251,822
Transportation	1,227,719	1,510,221	1,513,071	1,592,679	1,954,050
Economic assistance and opportunity	50,000	50,000	55,000	55,000	55,000
Culture and recreation	1,238,746	1,337,036	1,335,626	1,421,824	1,530,732
Home and community services	566,528	1,384,029	1,445,552	1,761,282	1,887,327
Employee Benefits	9,446,390	7,733,336	8,530,836	8,092,988	7,198,026
Debt Service	2,980,421	2,673,870	2,238,239	3,138,077	2,857,032
Capital Outlay	427,357	275,889	518,513	630,406	-
Interfund transfers and other	1,758,731	1,177,533	2,505,802	505,000	1,064,000
Total Expenditures	<u>33,106,034</u>	<u>31,524,228</u>	<u>33,270,845</u>	<u>32,416,595</u>	<u>32,587,695</u>

Net Fund Balance Change	\$ <u>845,720</u>	\$ <u>352,274</u>	\$ <u>(2,688,178)</u>	\$ <u>(1,653,979)</u>	\$ <u>(935,633)</u>
Sewer Revenues	\$ <u>7,201,959</u>	\$ <u>7,445,744</u>	\$ <u>7,207,179</u>	\$ <u>7,150,107</u>	\$ <u>7,782,269</u>
Sewer Expenditures	\$ <u>7,499,052</u>	\$ <u>6,715,427</u>	\$ <u>6,685,789</u>	\$ <u>7,142,994</u>	\$ <u>6,101,454</u>
Special Grant Revenues	\$ <u>1,105,287</u>	\$ <u>1,053,585</u>	\$ <u>2,170,359</u>	\$ <u>1,154,733</u>	\$ <u>1,114,830</u>
Special Grant Expenditures	\$ <u>983,275</u>	\$ <u>802,845</u>	\$ <u>2,320,873</u>	\$ <u>1,205,384</u>	\$ <u>1,068,772</u>
Capital Fund Expenditures	\$ <u>12,030,965</u>	\$ <u>20,348,696</u>	\$ <u>12,287,083</u>	\$ <u>5,795,426</u>	\$ <u>6,055,296</u>

Note: Abstracted from audited financials - See audit reports for complete information

CITY OF AUBURN

EXECUTIVE SUMMARY OF 2015 AUDIT

**AUDIT FOCUS - REPORTING OBJECTIVES**

- 1) Basic Financial Statements
  - \*Management's Discussion and Analysis
  - \*Government-wide Financial Statements
    - \*Statement of Net Position
    - \*Statement of Activities
  - \*Governmental Fund Financial Statements
  - \*Notes to Financial Statements

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
- 2) Single Audit (OMB A-133) Requirements for Federal Awards
  - \*Schedule of Federal Award Expenditures
  - \*Compliance with Applicable Requirements
  - \*Internal Control Over Compliance

**AUDIT APPROACH**

- \*Preliminary Planning
- \*Consideration of Internal Control Over Financial Reporting
- \*Tests of Controls
- \*Tests of Compliance with Laws and Regulations
- \*Substantive Testing of Financial Information (Includes Analytical Review)
- \*Single Audit Tests of Compliance with Applicable Requirements
- \*Consideration of Internal Control Over Compliance Requirements

**UNDERSTANDING THE CITY'S OPERATIONS**

- \*Services Provided
- \*Assessment of Accounting and Reporting System
- \*Nature of Activities
- \*Special Reporting Requirements
- \*Nature of Compliance Requirements
- \*Assessment of Management

**FACTORS AFFECTING THE SCOPE OF THE AUDIT**

- \*Effectiveness of Overall Financial Controls
- \*Qualifications of Key Personnel
- \*Appropriate Segregation of Duties
- \*Ability to Demonstrate Compliance with Laws and Regulations
- \*Effectiveness of Budget Process Administration
- \*Accuracy and Comprehensiveness of Internal Reporting
- \*Existence of Adequate Policies and Procedures
- \*Ability to Issue Timely and Accurate Financial Reports



**CITY OF AUBURN**  
**Auburn, New York**  
**FINANCIAL REPORT**  
**June 30, 2015**

CITY OF AUBURN  
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Frederick J. Ciaschi, C.P.A.

### 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, 2015, 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 an opinion 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% 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 *Governmental Auditing Standards*, issued by the Comptroller 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, 2015, 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, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." 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, Schedule of Funding Progress, Schedule of City Contributions - NYSLRS Pension Plan, and the Schedule of the City's Proportionate Share of Net Pension Liability on pages 4 through 11, and 53 through 57 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 December 7, 2015 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.

A handwritten signature in cursive script that reads "Cronchi, Dieterhagen, Little, Michels & Conly, LLP".

December 7, 2015  
Ithaca, New York

## **Management's Discussion and Analysis**

CITY OF AUBURN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The following is a discussion and analysis of the City of Auburn's financial performance for the fiscal year ended June 30, 2015. This section is a summary of the City's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the City's financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The City's unassigned General Fund balance at June 30, 2015 is \$3,797,325 compared to a balance of \$3,590,667 in 2014. The total fund balance in the General Fund increased \$845,720 in 2015 compared to an increase of \$352,274 in 2014.
- The net position of the City overall including governmental activities, business- type activities and capital assets increased by \$3.5 million or 4.8%.
- City expenses overall decreased in 2015 by \$727,726 from 2014. Overall revenues decreased in 2015 by \$1,256,172 from 2014.
- During the year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." As a result, beginning net position in the Primary Government Statement of Net Position decreased \$1,874,828. Additionally, the City recorded its proportionate share of net pension liabilities, as well as deferred outflows and deferred inflows related to pensions. The net effect of implementing these new accounting standards decreased pension expense in the Primary Government statements by \$2,223,759. See Note 8 for more detailed information.
- The amount of debt the City has outstanding at June 30, 2015 for capital projects and equipment purchases decreased by \$2.7 million from June 30, 2014 and now approximates \$82.5 million.
- The resources available for appropriation in the General Fund were \$693,839 greater than budgeted and the expenditures were \$891,707 less when compared to budget. Expenditures were less compared to the budget primarily due to employee turnover and department heads managing budgets. In addition, there were vacancies in several positions for a portion of the year.

#### **Using this Annual Report**

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 through 13) 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 14. 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.

CITY OF AUBURN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

These statements include *all* assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net position and changes in them. One can think of the City's net position, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 14. 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, 2015

**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, 2015 increased \$3,521,724, from \$73,718,728 to \$77,240,452, in comparison to last year when net position increased by \$4,301,739. By far, the largest portion of the City's net position (107%) 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.

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
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated	2014-2015
Current assets	\$ 36,247	\$ 43,903	\$ 7,167	\$ 6,198	\$ 43,414	\$ 50,101	-13%
Other noncurrent assets	3,792	4,028	-	85	3,792	4,113	-8%
Capital assets, net	132,806	125,289	14,999	15,954	147,805	141,243	5%
<b>Total Assets</b>	<b>172,845</b>	<b>173,220</b>	<b>22,166</b>	<b>22,237</b>	<b>195,011</b>	<b>195,457</b>	<b>0%</b>
Pensions	2,293	778	47	18	2,340	796	181%
<b>Deferred Outflows of Resources</b>	<b>2,293</b>	<b>778</b>	<b>47</b>	<b>18</b>	<b>2,240</b>	<b>796</b>	<b>181%</b>
Current liabilities	51,246	53,896	12,923	12,279	64,169	66,175	-3%
Noncurrent liabilities	46,352	46,741	9,479	9,618	55,831	56,359	-1%
<b>Total Liabilities</b>	<b>97,598</b>	<b>100,637</b>	<b>22,402</b>	<b>21,897</b>	<b>120,000</b>	<b>122,534</b>	<b>-2%</b>
Pensions	105	-	6	-	111	-	100%
<b>Deferred Inflows of Resources</b>	<b>105</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>111</b>	<b>-</b>	<b>100%</b>
Net investment in capital assets	75,078	71,199	104	161	75,182	71,360	5%
Restricted	9	9			9	9	0%
Unrestricted	(2,348)	2,153	(299)	279	(2,049)	2,432	-16%
<b>Total Net Position</b>	<b>\$ 77,435</b>	<b>\$ 73,361</b>	<b>\$ (195)</b>	<b>\$ 440</b>	<b>\$ 77,240</b>	<b>\$ 73,801</b>	<b>5%</b>

The net position of the City's Governmental Activities increased by 5.6% or \$4,074,593 during fiscal 2015. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, decreased from \$2,152,852, as restated, at June 30, 2014 to a deficit \$(2,348,126) at June 30, 2015. This decrease in unrestricted governmental net position is primarily due to greater investment in capital assets.

CITY OF AUBURN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

Net position of Business-type Activities decreased by \$552,869 during the year ending June 30, 2015. The total non-capital portion of net position of \$279,340 at June 30, 2014 decreased to \$(299,332) at June 30, 2015, primarily due to the operating losses sustained in those funds.

The City's total revenues decreased by 2.5%, or \$1,256,172 due to a decrease in capital grants and lower sewer usage. The total cost of all programs and services increased by 1.7%, or \$727,726. Our analysis in Figure 2 separately considers the operations of Governmental and Business-type Activities.

The effects of the implementation of GASB Statement No. 68 are not reflected in the 2014 Program Expenditures, as this information was not available.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2015	2014	2015	2014	2015	2014	2014-2015
PROGRAM REVENUES							
Charges for services	\$ 14,801	\$ 14,385	\$ 2,853	\$ 3,168	\$ 17,654	17,553	1%
Operating grants	1,318	1,205	-	-	1,318	1,205	9%
Capital grants	3,481	5,349	-	-	3,481	5,349	-35%
GENERAL REVENUES							
Property taxes and tax items	12,749	12,667	-	-	12,749	12,667	1%
Nonproperty taxes	9,605	9,175	-	-	9,605	9,175	5%
State/Federal sources	5,204	5,194	-	-	5,204	5,194	0%
Other	1,204	1,642	55	12	1,259	1,654	-24%
<b>Total Revenues</b>	<b>48,362</b>	<b>49,617</b>	<b>2,908</b>	<b>3,180</b>	<b>51,270</b>	<b>52,797</b>	<b>-3%</b>
PROGRAM EXPENSES							
General government	5,548	4,706	-	-	5,548	4,706	18%
Public safety	19,464	20,145	-	-	19,464	20,145	-3%
Transportation	3,148	3,339	-	-	3,148	3,339	-6%
Economic assistance and opportunities	50	50	-	-	50	50	0%
Culture and recreation	1,877	2,067	-	-	1,877	2,067	-9%
Home and community services	12,453	11,999	-	-	12,453	11,999	4%
Interest on long-term debt	1,482	931	-	-	1,482	931	59%
Power Utility	-	-	1,094	1,820	1,094	1,820	-40%
Solid Waste	-	-	2,513	3,262	2,513	3,262	-23%
OTHER EXPENSES							
Loss on disposal of fixed assets	119	176	-	-	119	176	-32%
<b>Total Expenses</b>	<b>44,141</b>	<b>43,413</b>	<b>3,607</b>	<b>5,082</b>	<b>47,748</b>	<b>48,495</b>	<b>-2%</b>
Excess before Transfers	4,221	6,204	(699)	(1,902)	3,522	4,302	-18%
Transfers/capital Contributions	(146)	(800)	146	800	-	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 4,075</b>	<b>\$ 5,404</b>	<b>\$ (553)</b>	<b>\$ (1,102)</b>	<b>\$ 3,522</b>	<b>\$ 4,302</b>	<b>-18%</b>

CITY OF AUBURN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Governmental Activities - Fund Basis**

Revenues for the City's Governmental Activities decreased \$1,309,030, or 2.6%, while total expenditures decreased \$4,200,957, or 6.8%. The revenue decrease is mainly due to decreases in federal grants for capital projects. The expenditure decrease is due to a decrease in capital outlay. Capital outlay decreased by \$8.0 million between 2013-14 and 2014-15.

The City decreased its property tax rate to \$12.40 per thousand in 2014-15 versus \$12.58 per thousand in 2013-14. The City's tax levy, supported by a stable taxable assessed valuation, increased to \$12,183,593 in 2014-15. These amounts are included within the property taxes and tax items lines, which indicate an overall 1.4% rate decrease from 2014 to 2015.

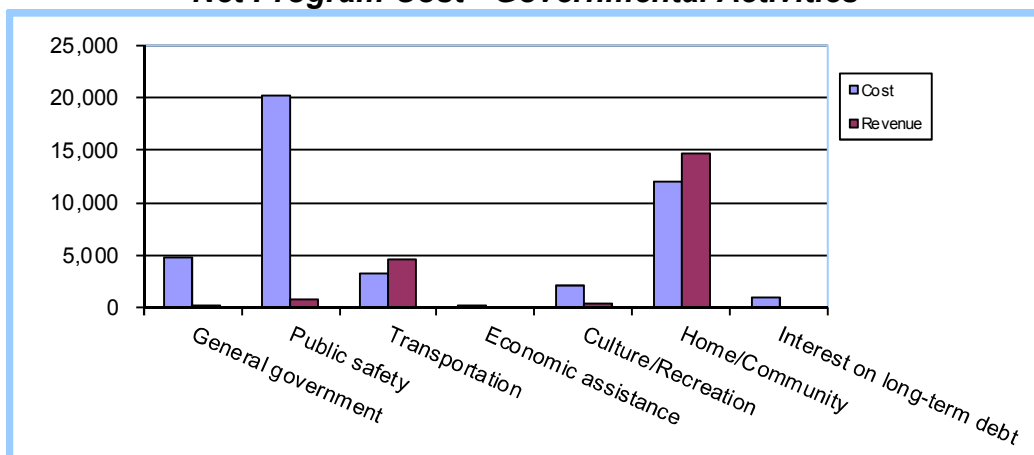
**Figure 3**  
**Revenue by Source - Governmental Activities**

Revenue by Source - Governmental Activities		
Charges for Services	\$ 14,801	31%
Operating Grants	1,318	3%
Capital Grants	3,481	7%
Property Taxes	12,749	26%
Sales, Gross Receipts and Franchise Taxes	9,605	20%
State/Federal Sources	5,204	11%
Other	939	2%
<b>Total</b>	<b>\$ 48,097</b>	<b>100%</b>

The cost of all governmental activities this year was \$44,022,487. 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 \$12,749,261, because some of the cost was paid by those who directly benefited from the programs which was \$14,800,915, or by other governments and organizations that subsidized certain programs with grants and contributions which totaled \$4,799,115. Overall, the City's governmental program revenues, including fees for services and grants, were \$19,600,030. The City paid for the remaining "public benefit" portion of governmental activities with \$28,761,559 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.

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



CITY OF AUBURN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

**Business-type Activities**

Operating revenues of the City's Business-type Activities (see Figure 2) decreased by 9.9%, or \$315,119, in 2015. Operating expenses decreased in 2015 by 32.2%, or \$1,580,996. The main decrease in expenses was in contractual services in the Power Utility Fund. Revenues decreased due to the decreasing volume at the landfill.

**The City's Funds**

As the City completed the year, its Governmental Funds, as presented in the Balance Sheets on page 15, reported a combined fund deficit of \$(9,490,255), which is higher than last year's deficit of \$(4,338,426). Figure 5 and Figure 6 show the changes in fund balances for the year for the City's major funds. Of the \$(9,490,255), a deficit in the Capital Projects Fund of \$(20,889,973) 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. The Power Utility and Solid Waste Funds had deficit fund balances of \$(138,640) and \$(56,073), respectively. These deficit balances in the Power Utility and Solid Waste Funds are expected to reverse in the next couple of budget cycles. The landfill has begun to increase tonnage which will increase revenues. The Power Utility Fund is expected to begin selling green energy to New England which is projected to allow the fund to turn a small profit.

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

	Governmental Funds		Percent Change
	2015	2014	2014-2015
General Fund	\$ 5,738	\$ 4,892	17%
Sewer Fund	1,477	1,774	-17%
Special Grant Fund	2,800	2,678	5%
Capital Projects Fund	(20,890)	(14,901)	-40%
Other Governmental Funds	1,385	1,219	14%
<b>Totals</b>	<b>\$ (9,490)</b>	<b>\$ (4,338)</b>	<b>-119%</b>

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

	Total Enterprise Funds		Percent Change
	2015	2014 as restated	2014-2015
Power Utility Fund	\$ (139)	\$ 189	-174%
Solid Waste Fund	(56)	169	-133%
<b>Totals</b>	<b>\$ (195)</b>	<b>\$ 358</b>	<b>-154%</b>

CITY OF AUBURN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

**General Fund Budgetary Highlights**

Over the course of the year, the City Council, as well as the management of the City, revised the City budget several times. These budget amendments consisted of budget transfers between functions, which do not increase the overall budget, as well as increases in estimated revenues of \$358,236 and appropriations of \$405,736.

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2015, the City had \$147,804,588, 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 4.6% or \$6,476,594 over last year's capital assets, net of accumulated depreciation of \$141,327,994.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 4,253	\$ 4,253	\$ 420	\$ 420	\$ 4,673	\$ 4,673	0%
Construction in progress	22,186	27,024	5	3,660	22,191	30,684	-28%
Buildings and improvements	24,484	25,361	12,639	9,440	37,123	34,801	7%
Equipment	12,662	12,666	1,931	2,191	14,593	14,857	-2%
Infrastructure	69,221	55,985	4	243	69,225	56,228	23%
<b>Totals</b>	<b>\$ 132,806</b>	<b>\$ 125,289</b>	<b>\$ 14,999</b>	<b>\$ 15,954</b>	<b>\$ 147,805</b>	<b>\$ 141,243</b>	<b>5%</b>

At year-end, the City had entered into contracts with various vendors for total commitments outstanding of \$4,460,837, of which \$70,574 was committed for general government projects, \$466,073 was committed for public safety, \$2,940,219 was committed for transportation projects, \$3,000 was committed for culture and recreation and \$980,971 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 decreased by \$1.3 million and brought the total to approximately \$103.4 million as of June 30, 2015, as shown in Figure 8. Of this amount approximately \$44 million is subject to the constitutional debt limit and represented 65% 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 a decrease of \$2,234,313 in general obligation bonds. More detailed information about long-term debt activity can be found in Note 11 in the notes to the financial statements.

CITY OF AUBURN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2015	2014	2015	2014	2015	2014	2014-2015
General Obligation Bonds	\$ 31,736	\$ 34,250	\$ 6,161	\$ 5,881	\$ 37,897	\$ 40,131	-6%
BANs	27,227	29,978	11,237	10,272	38,464	40,250	-4%
Landfill closure and postclosure	-	-	4,543	4,838	4,543	4,838	-6%
Notes payable	6,140	4,939	16	18	6,156	4,957	24%
Lease obligations	421	486	-	-	421	486	-13%
Other post-employment benefits	10,364	8,979	-	-	10,364	8,979	15%
Other long-term liabilities	5,394	4,907	125	124	5,516	5,031	10%
<b>Totals</b>	<b>\$ 81,279</b>	<b>\$ 83,539</b>	<b>\$ 22,082</b>	<b>\$ 21,133</b>	<b>\$ 103,361</b>	<b>\$ 104,672</b>	<b>-1%</b>

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 2015-16 General Fund budget is \$33,925,153, a decrease of 1.1% from the adopted June 30, 2015 budget of \$34,296,633 including appropriations and transfers out. The tax rate increased from \$12.40 per thousand to \$12.58 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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Auburn Industrial Development Authority	Auburn Housing Authority
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents, unrestricted	\$ 10,068,444	\$ 4,374,089	\$ 14,442,533	\$ 862,501	\$ 874,960
Cash and cash equivalents, restricted	6,032,939	2,581,805	8,614,744	-	845,080
Investments	7,867,534	-	7,867,534	-	1,693,127
Investments, restricted	9,300	-	9,300	-	211,286
Taxes receivable, net	3,909,526	-	3,909,526	-	-
Internal balances	56,866	(56,866)	-0-	-	-
Due from fiduciary funds	117,737	-	117,737	-	-
Due from state and federal governments	2,938,251	-	2,938,251	-	-
Due from other governments	759,410	-	759,410	-	-
Other receivables, net	4,218,200	267,831	4,486,031	-	84,537
Loans receivable, current	78,738	-	78,738	-	-
Prepaid expenses	-	-	-0-	-	74,379
Deposits	190,600	-	190,600	-	-
Property leases, current	-	-	-0-	112,004	-
Total Current Assets	<u>36,247,545</u>	<u>7,166,859</u>	<u>43,414,404</u>	<u>974,505</u>	<u>3,783,369</u>
Noncurrent assets:					
Loans receivable, long-term	3,792,026	-	3,792,026	-	936,287
Property leases, long-term	-	-	-0-	2,064,220	-
Capital assets, non-depreciable	26,438,832	424,947	26,863,779	255,410	-
Depreciable capital assets, net	106,366,877	14,573,932	120,940,809	-	6,370,723
Total Noncurrent Assets	<u>136,597,735</u>	<u>14,998,879</u>	<u>151,596,614</u>	<u>2,319,630</u>	<u>7,307,010</u>
Total Assets	<u>172,845,280</u>	<u>22,165,738</u>	<u>195,011,018</u>	<u>3,294,135</u>	<u>11,090,379</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pensions	<u>2,293,373</u>	<u>47,012</u>	<u>2,340,385</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>2,293,373</u>	<u>47,012</u>	<u>2,340,385</u>	<u>-0-</u>	<u>-0-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 175,138,653</u>	<u>\$ 22,212,750</u>	<u>\$ 197,351,403</u>	<u>\$ 3,294,135</u>	<u>\$ 11,090,379</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,137,024	\$ 197,916	\$ 2,334,940	\$ 697,437	\$ 101,971
Accrued payroll	567,350	16,738	584,088	-	-
Due to other governments	6,077,496	-	6,077,496	-	-
Due to employees' retirement system	1,650,680	8,599	1,659,279	-	-
Bond anticipation notes payable	27,226,448	11,237,400	38,463,848	-	-
Accrued interest payable	163,721	21,812	185,533	5,010	-
Unearned revenue	3,917,229	-	3,917,229	-	9,894



CITY OF AUBURN  
STATEMENT OF NET POSITION (Continued)  
JUNE 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Auburn Industrial Development Authority	Auburn Housing Authority
<b>LIABILITIES (Continued)</b>					
Current portion of long-term liabilities:				-	-
Lease obligations payable	\$ 67,185	\$ -	\$ 67,185	\$ -	\$ -
Bonds payable	3,882,812	922,849	4,805,661	112,004	-
Notes payable	609,410	1,274	610,684	-	-
Employees' retirement system notes payable	210,129	13,560	223,689	-	-
Compensated absences	87,046	2,646	89,692	-	6,447
Other postemployment benefits	3,591,420	-	3,591,420	-	-
Self insurance liability	34,000	-	34,000	-	-
Claims and judgments payable	1,023,948	-	1,023,948	-	-
Landfill post closure liability	-	500,000	500,000	-	-
Total Current Liabilities	<u>51,245,898</u>	<u>12,922,794</u>	<u>64,168,692</u>	<u>814,451</u>	<u>118,312</u>
Long-term liabilities:					
Net pension liability - proportionate share	1,806,133	74,609	1,880,742		
Lease obligations payable	353,877	-	353,877		
Bonds payable	27,853,105	5,238,255	33,091,360	2,064,220	-
Notes payable	5,530,384	14,935	5,545,319	23,100	-
Employees' retirement system notes payable	1,496,163	58,634	1,554,797	-	-
Compensated absences	1,653,867	50,267	1,704,134	-	58,018
Other postemployment benefits	6,772,860	-	6,772,860	-	186,353
Self insurance liability	886,016	-	886,016	-	-
Landfill post closure liability		4,042,442	4,042,442	-	-
Total Long-Term Liabilities	<u>46,352,405</u>	<u>9,479,142</u>	<u>55,831,547</u>	<u>2,087,320</u>	<u>244,371</u>
Total Liabilities	<u>97,598,303</u>	<u>22,401,936</u>	<u>120,000,239</u>	<u>2,901,771</u>	<u>362,683</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pensions	105,185	5,527	110,712	-	-
Total Deferred Inflows of Resources	<u>105,185</u>	<u>5,527</u>	<u>110,712</u>	<u>-0-</u>	<u>-0-</u>
<b>NET POSITION</b>					
Net investment in capital assets	75,077,739	104,619	75,182,358	232,310	6,370,723
Restricted - Nonexpendable	9,300	-	9,300	-	1,588,396
Unrestricted	<u>2,348,126</u>	<u>(299,332)</u>	<u>2,048,794</u>	<u>160,054</u>	<u>2,768,577</u>
Total Net Position	<u>77,435,165</u>	<u>(194,713)</u>	<u>77,240,452</u>	<u>392,364</u>	<u>10,727,696</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 175,138,653</u>	<u>\$ 22,212,750</u>	<u>\$ 197,351,403</u>	<u>\$ 3,294,135</u>	<u>\$ 11,090,379</u>

CITY OF AUBURN  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total Primary Government	Auburn Industrial Development Authority	Auburn Housing Authority
<b>PRIMARY GOVERNMENT</b>									
<b>Governmental activities:</b>									
General government support	\$ 5,547,888	\$ 218,308	\$ -	\$ -	\$ (5,329,580)	\$ -	\$ (5,329,580)		\$
Public safety	19,463,457	736,455	337,230	-	(18,389,772)	-	(18,389,772)		
Transportation	3,148,354	390,914	163,664	3,252,284	658,508	-	658,508		
Economic assistance and opportunity	50,000	-	-	-	(50,000)	-	(50,000)		
Culture and recreation	1,877,283	121,722	32,354	51,584	(1,671,623)	-	(1,671,623)		
Home and community services	12,453,027	13,333,516	785,031	176,968	1,842,488	-	1,842,488		
Interest on long-term debt	1,482,478	-	-	-	(1,482,478)	-	(1,482,478)		
Total Governmental Activities	44,022,487	14,800,915	1,318,279	3,480,836	(24,422,457)	-0-	(24,422,457)		
<b>Business-type activities:</b>									
Power utility fund	1,093,880	581,326	-	-	-	(512,554)	(512,554)		
Solid waste	2,512,710	2,271,844	-	-	-	(240,866)	(240,866)		
Total Business-type Activities	3,606,590	2,853,170	-0-	-0-	-0-	(753,420)	(753,420)		
Total Primary Government	47,629,077	17,654,085	1,318,279	3,480,836	(24,422,457)	(753,420)	(25,175,877)		
<b>Component units:</b>									
Auburn Industrial Development Authority	1,302,581	-	-	-	-	-	-	(1,302,581)	-
Auburn Housing Authority	3,338,965	1,359,170	1,755,876	-	-	-	-	-	(223,919)
Total Component Units	\$ 4,641,546	\$ 1,359,170	\$ 1,755,876	\$ -0-	-	-	-	(1,302,581)	(223,919)
Net (expense) revenue and changes brought forward:					(24,422,457)	(753,420)	(25,175,877)	(1,302,581)	(223,919)
<b>GENERAL REVENUES</b>									
Real property taxes					11,876,415	-	11,876,415	-	-
Real property tax items					872,846	-	872,846	1,280,935	-
Sales taxes					8,893,733	-	8,893,733	-	-
Utilities gross receipts tax					245,268	-	245,268	-	-
Franchise taxes					465,502	-	465,502	-	-
Use of money and property					382,664	54,851	437,515	9	50,545
Sale of property and compensation for loss					206,996	-	206,996	31,716	-
Miscellaneous local sources					614,622	-	614,622	18,455	-
State and federal sources not restricted to specific programs					5,203,513	-	5,203,513	-	-
Gain (loss) on disposal of fixed assets					(118,809)	-	(118,809)	-	-
Transfers - internal activities					(145,700)	145,700	-	-	-
Total General Revenues and Transfers					28,497,050	200,551	28,697,601	1,331,115	50,545
Change in Net Position					4,074,593	(552,869)	3,521,724	28,534	(173,374)
Net position - Beginning of Year, as Restated					73,360,572	358,156	73,718,728	363,830	10,901,070
Net position - End of Year					\$ 77,435,165	\$ (194,713)	\$ 77,240,452	\$ 392,364	\$ 10,727,696

CITY OF AUBURN  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund	Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents, unrestricted	\$ 4,262,424	\$ 2,292	\$ 2,812,182	\$ 2,975,311	\$ 16,235	\$ 10,068,444
Cash and cash equivalents, restricted	1,019,569	55,766	-	4,814,446	143,158	6,032,939
Investments	7,862,398	2,751	-	-	2,385	7,867,534
Investments, restricted	-	-	-	-	9,300	9,300
Taxes receivable, net	3,909,526	-	-	-	-	3,909,526
Due from other funds	617,102	779,200	-	1,026,139	999,058	3,421,499
Due from fiduciary funds	117,737	-	-	-	-	117,737
Due from state and federal governments	192,889	-	106,861	2,638,501	-	2,938,251
Due from other governments	759,410	-	-	-	-	759,410
Other receivables, net	206,804	1,987,627	-	860,666	1,163,103	4,218,200
Deposits	190,600	-	-	-	-	190,600
Loans receivable, net	-	-	3,870,764	-	-	3,870,764
Total Assets	<u>\$ 19,138,459</u>	<u>\$ 2,827,636</u>	<u>\$ 6,789,807</u>	<u>\$ 12,315,063</u>	<u>\$ 2,333,239</u>	<u>\$ 43,404,204</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 666,501	\$ 160,705	\$ 11,502	\$ 1,153,682	\$ 144,634	\$ 2,137,024
Accrued payroll	481,358	39,462	-	-	46,530	567,350
Due to other funds	1,414,464	1,090,050	108,029	62,677	689,413	3,364,633
Due to other governments	2,146,371	-	-	3,931,125	-	6,077,496
Due to retirement system	1,522,898	60,599	-	-	67,183	1,650,680
Bond anticipation notes payable	-	-	-	27,226,448	-	27,226,448
Unearned revenue	3,688,903	-	-	228,326	-	3,917,229
Total Liabilities	<u>9,920,495</u>	<u>1,350,816</u>	<u>119,531</u>	<u>32,602,258</u>	<u>947,760</u>	<u>44,940,860</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - not collected in the recognition period	<u>3,480,057</u>	<u>-</u>	<u>3,870,764</u>	<u>602,778</u>	<u>-</u>	<u>7,953,599</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	9,300	9,300
Committed	1,802,113	56,539	-	-	177,367	2,036,019
Assigned	138,469	1,420,281	2,799,512	-	1,198,812	5,557,074
Unassigned	3,797,325	-	-	(20,889,973)	-	(17,092,648)
Total Fund Balances	<u>5,737,907</u>	<u>1,476,820</u>	<u>2,799,512</u>	<u>(20,889,973)</u>	<u>1,385,479</u>	<u>(9,490,255)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,138,459</u>	<u>\$ 2,827,636</u>	<u>\$ 6,789,807</u>	<u>\$ 12,315,063</u>	<u>\$ 2,333,239</u>	<u>\$ 43,404,204</u>

CITY OF AUBURN  
RECONCILIATION OF GOVERNMENTAL FUND BALANCES  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

Total Governmental Fund Balances (Deficit)	\$	(9,490,255)
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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	\$	213,581,231	
Accumulated depreciation		<u>(80,775,522)</u>	
			132,805,709

The City's proportionate share of the employee retirement systems' collective net pension liability is not reported in the funds.

Net pension liability - proportionate share		(1,806,133)
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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	\$	(163,721)	
Employees' retirement system note payable		(1,706,292)	
Compensated absences		(1,740,913)	
Self insurance liability		(920,016)	
Other postemployment benefits		(10,364,280)	
Claims and judgments		<u>(1,023,948)</u>	
			(15,919,170)

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	\$	(31,735,917)	
Leases payable		(421,062)	
Notes payable		<u>(6,139,794)</u>	
			(38,296,773)

Deferred outflows of resources, including pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred outflows of resources	\$	2,293,373	
Unavailable revenue		7,953,599	
Deferred inflows of resources		<u>(105,185)</u>	
			<u>10,141,787</u>

Net Position of Governmental Activities	\$	<u><u>77,435,165</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, 2015

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund	Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 11,632,804	\$ -	\$ -	\$ -	\$ -	\$ 11,632,804
Real property tax items	872,846	-	-	-	-	872,846
Nonproperty taxes	9,604,503	-	-	-	-	9,604,503
Departmental income	833,910	6,643,462	265,858	-	4,512,915	12,256,145
Intergovernmental charges	287,139	-	-	-	-	287,139
Use of money and property	238,889	14,393	53,838	-	75,544	382,664
Licenses and permits	168,872	-	-	-	-	168,872
Fines and forfeitures	327,945	-	560	-	-	328,505
Sale of property and compensation for loss	179,291	9,106	-	-	18,599	206,996
Miscellaneous local sources	120,530	22	-	384,070	-	504,622
Interfund revenue	1,841,218	110,000	-	-	110,000	2,061,218
State sources	6,018,194	-	-	936,297	-	6,954,491
Federal sources	318,567	-	785,031	1,944,539	-	3,048,137
Total Revenues	<u>32,444,708</u>	<u>6,776,983</u>	<u>1,105,287</u>	<u>3,264,906</u>	<u>4,717,058</u>	<u>48,308,942</u>
<b>EXPENDITURES</b>						
General government support	3,298,074	186,229	-	-	78,018	3,562,321
Public safety	12,112,068	-	-	-	-	12,112,068
Transportation	1,227,719	-	-	93,284	-	1,321,003
Economic assistance and opportunity	50,000	-	-	-	-	50,000
Culture and recreation	1,238,746	-	-	-	-	1,238,746
Home and community services	566,528	3,681,551	783,316	235,210	3,167,618	8,434,223
Employee benefits	9,446,390	763,522	-	-	894,972	11,104,884

CITY OF AUBURN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund	Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
<b>EXPENDITURES (Continued)</b>						
Debt service:						
Debt principal - Serial bonds and other long-term debt	\$ 1,606,880	\$ 2,221,930	\$ 160,000	\$ -	\$ 585,309	\$ 4,574,119
Debt principal - Bond anticipation notes	779,006	35,100	-	-	53,600	867,706
Debt interest	594,535	502,808	20,000	-	386,916	1,504,259
Capital outlay	427,357	99,318	19,959	11,702,471	149,612	12,398,717
Total Expenditures	<u>31,347,303</u>	<u>7,490,458</u>	<u>983,275</u>	<u>12,030,965</u>	<u>5,316,045</u>	<u>57,168,046</u>
Excess of Revenue (Expenditures)	<u>1,097,405</u>	<u>(713,475)</u>	<u>122,012</u>	<u>(8,766,059)</u>	<u>(598,987)</u>	<u>(8,859,104)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	1,470,246	420,576	-	839,915	773,974	3,504,711
Interfund transfers out	(1,758,731)	(8,594)	-	(1,874,492)	(8,594)	(3,650,411)
Bond anticipation notes redeemed from appropriations	-	-	-	867,706	-	867,706
Proceeds from long-term debt	36,800	4,400	-	2,944,069	-	2,985,269
Total Other Financing Sources (Uses)	<u>(251,685)</u>	<u>416,382</u>	<u>-0-</u>	<u>2,777,198</u>	<u>765,380</u>	<u>3,707,275</u>
Net Changes in Fund Balances	845,720	(297,093)	122,012	(5,988,861)	166,393	(5,151,829)
Fund Balances - Beginning of Year	<u>4,892,187</u>	<u>1,773,913</u>	<u>2,677,500</u>	<u>(14,901,112)</u>	<u>1,219,086</u>	<u>(4,338,426)</u>
Fund Balances - End of Year	<u>\$ 5,737,907</u>	<u>\$ 1,476,820</u>	<u>\$ 2,799,512</u>	<u>\$ (20,889,973)</u>	<u>\$ 1,385,479</u>	<u>\$ (9,490,255)</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, 2015

Net change in fund balances of governmental funds	\$	(5,151,829)
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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	\$ 12,398,717	
Depreciation	<u>(4,763,438)</u>	
		7,635,279

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		52,647
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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	\$ (2,985,269)	
Repayment of debt	<u>4,574,119</u>	
		1,588,850

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	\$ (27,010)	
Employees' retirement system note payable	(567,574)	
Compensated absences	(151,356)	
Self insurance liability	(4,460)	
Other postemployment benefits	(1,385,220)	
Claims and judgments	<u>29,035</u>	
		(2,106,585)

Changes in the City's proportionate share of net pension liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the City's deferred outflows and deferred inflows related to pensions do not affect current financial resources and are also not reported in the Governmental Funds.

Deferred outflows, pensions	\$ 1,515,554	
Net pension liability - proportionate share	764,671	
Deferred inflows, pensions	<u>(105,185)</u>	
		2,175,040

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:

(118,809)

Change in Net Position of Governmental Activities	\$	<u><u>4,074,593</u></u>
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CITY OF AUBURN  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2015

ASSETS	Business-type Activities		
	Enterprise Funds		Total
	Power Utility Fund	Solid Waste Fund	
Current Assets:			
Cash and cash equivalents, unrestricted	\$ -	\$ 4,374,089	\$ 4,374,089
Cash and cash equivalents, restricted	2,581,805	-	2,581,805
Accounts receivable, net	7,598	260,233	267,831
Due from other funds	263,596	153,825	417,421
Total Current Assets	2,852,999	4,788,147	7,641,146
Noncurrent assets:			
Capital assets, non-depreciable	105,560	319,387	424,947
Depreciable capital assets, net	10,129,888	4,444,044	14,573,932
Total Noncurrent Assets	10,235,448	4,763,431	14,998,879
Total Assets	13,088,447	9,551,578	22,640,025
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	-	47,012	47,012
Total Deferred Outflows of Resources	-0-	47,012	47,012
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 139,081	\$ 58,835	\$ 197,916
Accrued payroll	-	16,738	16,738
Due to other funds	327,676	146,611	474,287
Due to employees' retirement system	-	8,599	8,599
Bonds payable	122,509	800,340	922,849
Note payable	-	1,274	1,274
Compensated absences	-	2,646	2,646
Employees' retirement system note payable	-	13,560	13,560
Landfill post closure liability	-	500,000	500,000
Bond Anticipation Notes payable	11,237,400	-	11,237,400
Bond interest payable	4,429	17,383	21,812
Total current liabilities	11,831,095	1,565,986	13,397,081
Non-current Liabilities:			
Net pension liability - proportionate share	-	74,609	74,609
Bonds payable	1,395,992	3,842,263	5,238,255
Note payable	-	14,935	14,935
Compensated absences	-	50,267	50,267
Employees' retirement system note payable	-	58,634	58,634
Landfill post closure liability	-	4,042,442	4,042,442
Total non-current liabilities	1,395,992	8,083,150	9,479,142
Total Liabilities	13,227,087	9,649,136	22,876,223
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	-	5,527	5,527
Total Deferred Inflows of Resources	-0-	5,527	5,527
<b>NET POSITION</b>			
Net investment in capital assets	-	104,619	104,619
Unrestricted	(138,640)	(160,692)	(299,332)
Total Net Position	\$ (138,640)	\$ (56,073)	\$ (194,713)



CITY OF AUBURN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities		
	Enterprise Funds		Total
	Power Utility Fund	Solid Waste Fund	
<b>REVENUES</b>			
Charges for services	\$ 562,906	\$ 2,250,635	\$ 2,813,541
Other operating revenue	18,420	21,209	39,629
Total Operating Revenues	<u>581,326</u>	<u>2,271,844</u>	<u>2,853,170</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	-	480,157	480,157
Contractual services	696,989	634,139	1,331,128
Employee benefits	-	272,525	272,525
Depreciation and amortization	272,656	972,235	1,244,891
Total Operating Expenses	<u>969,645</u>	<u>2,359,056</u>	<u>3,328,701</u>
(Loss) from operations	<u>(388,319)</u>	<u>(87,212)</u>	<u>(475,531)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	39,319	15,532	54,851
Interest expense	<u>(124,235)</u>	<u>(153,654)</u>	<u>(277,889)</u>
Total Non-Operating Expenses	<u>(84,916)</u>	<u>(138,122)</u>	<u>(223,038)</u>
Net (loss) before transfers	(473,235)	(225,334)	(698,569)
Interfund transfers in	<u>145,700</u>	<u>-</u>	<u>145,700</u>
Net (decrease) in net position	(327,535)	(225,334)	(552,869)
Net position - Beginning of Year, as Restated	<u>188,895</u>	<u>169,261</u>	<u>358,156</u>
Net position - End of Year	<u>\$ (138,640)</u>	<u>\$ (56,073)</u>	<u>\$ (194,713)</u>

CITY OF AUBURN  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Power Utility Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities:			
Cash received from providing services	\$ 562,280	\$ 2,134,854	\$ 2,697,134
Cash received from other funds and other sources	18,420	21,209	39,629
Cash payments - employees	-	(476,660)	(476,660)
Cash payments - employee benefits	-	(341,430)	(341,430)
Cash payments - suppliers	(732,997)	(1,295,894)	(2,028,891)
Net Cash (Used) Provided by Operating Activities	<u>(152,297)</u>	<u>42,079</u>	<u>(110,218)</u>
Cash Flows from Non-Capital and Financing Activities:			
Transfers from (to) other funds	<u>168,919</u>	<u>(65,119)</u>	<u>103,800</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from bond anticipation notes	11,237,400	-	11,237,400
Proceeds from bonds	1,117,000	-	1,117,000
Payments of bond anticipation notes	(9,939,300)	-	(9,939,300)
Payments on bonds and notes	(54,187)	(784,444)	(838,631)
Interest expense	(120,538)	(156,594)	(277,132)
Purchase of capital assets	(198,912)	(6,104)	(205,016)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,041,463</u>	<u>(947,142)</u>	<u>1,094,321</u>
Cash Flows from Investing Activities:			
Interest income	<u>39,319</u>	<u>15,532</u>	<u>54,851</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,097,404	(954,650)	1,142,754
Cash and Cash Equivalents - Beginning of Year	<u>484,401</u>	<u>5,328,739</u>	<u>5,813,140</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,581,805</u>	<u>\$ 4,374,089</u>	<u>\$ 6,955,894</u>
Reconciliation of Income from Operations to Net Cash Provided (Used) by Operating Activities:			
(Loss) from operations	\$ (388,319)	\$ (87,212)	\$ (475,531)
Depreciation and amortization	272,656	972,235	1,244,891
Change in assets and liabilities:			
Accounts receivable	(627)	(115,781)	(116,408)
Accounts payable and accrued liabilities	(36,007)	(365,942)	(401,949)
Accrued payroll and compensated absences	-	(26,182)	(26,182)
Due to employees' retirement system	-	(20,970)	(20,970)
Employees' retirement system note payable	-	30,463	30,463
Landfill post closure liability	-	(295,813)	(295,813)
Net pension liability - proportionate share and related deferred inflows and outflows	-	(48,719)	(48,719)
Net Cash (Used) Provided by Operating Activities	<u>\$ (152,297)</u>	<u>\$ 42,079</u>	<u>\$ (110,218)</u>
Reconciliation of Total Cash and Cash Equivalents:			
Current assets - unrestricted cash and cash equivalents	\$ -	\$ 4,374,089	\$ 4,374,089
Non-current assets - restricted cash and cash equivalents	<u>2,581,805</u>	<u>-</u>	<u>2,581,805</u>
Total Cash and Cash Equivalents	<u>\$ 2,581,805</u>	<u>\$ 4,374,089</u>	<u>\$ 6,955,894</u>

CITY OF AUBURN  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2015

**ASSETS**

Cash and cash equivalents, unrestricted	\$ <u>126,634</u>
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**LIABILITIES**

Total liabilities	\$ <u>126,634</u>
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CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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 No. 14, as amended by GASB Statement Nos. 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 agency maintains control over its 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, 2015

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, 2014. 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, 2014. 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, 2015

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, 2015

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

Refuse Collection Fund - Used to account for curbside trash pickup costs and the fees charged in connection with this service.

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, 2015

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, 2015

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 \$1,399,420 at June 30, 2015. 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 \$739,788 at June 30, 2015.

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, 2014 through March 31, 2015 (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, 2015

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 \$783,610.

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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. Accumulated amortization as of June 30, 2015 amounted to \$2,557,873 and amortization expense amounted to \$84,828.

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, 2015

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 13, 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 \$672,000 were incurred for post-retirement health care benefits for 255 participants eligible through June 30, 2015. An additional \$35,254 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 and liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources and deferred outflows of resources. These separate financial statement elements represent an increase or consumption of net position that applies to a future period and so will not be recognized as an inflow or outflow of resources until then. The government reports deferred inflows and outflows related to pensions in these categories.

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, 2015

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. Nonexpendable fund balance includes an endowment in the non-major governmental funds of \$9,300.

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, 2015:

General Fund:	
Other postemployment benefits reserve	\$ 600,000
Reserve for worker's compensation claims	400,000
Equipment reserve	187,830
Reserve for Falcon Park	12,740
Reserve for debt	<u>601,543</u>
Total General Fund	<u>\$ 1,802,113</u>
Sewer Fund:	
Equipment reserve	\$ 773
Reserve for debt	<u>55,766</u>
Total Sewer Fund	<u>\$ 56,539</u>
Other Governmental Funds:	
Reserve for meter replacement	32,357
Equipment reserve	1,852
Reserve for debt	<u>143,158</u>
Total Other Governmental Funds	<u>\$ 177,367</u>

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015:

	Reserve for Encumbrances	Remaining Fund Balance	Total
General Fund	\$ 138,469	\$ -0-	\$ 138,469
Sewer Fund	52,814	1,367,467	1,420,281
Special Grant Fund	47,038	2,752,474	2,799,512
Other Governmental Funds	8,490	1,190,322	1,198,812

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.

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, 2015

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 issued Statement No. 72, "Fair Value Measurement and Application," effective for the year ending June 30, 2016.

GASB has issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," which establishes new accounting and financial reporting requirements for OPEB plans. Effective for fiscal years beginning after June 15, 2016.

GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," for OPEB.

GASB has issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective for the year ending June 30, 2016.

The City is currently studying these statements and plans on implementation for the year ended June 30, 2016, where applicable.

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.

Collateral (security) is required for demand and time deposits and certificates of deposit at 100% 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% of the cost of the repurchase agreement.

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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 No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent.

The City's aggregate deposits of \$31,640,217 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, 2014, of \$862,501 and for the discretely presented component unit, Auburn Housing Authority at March 31, 2015 of \$1,726,479 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 \$7,396,251 of unspent debt proceeds to be used for the acquisition, construction, or renovation of capital assets, \$418,026 of cash and cash equivalents which is required collateral for the City's health insurance policy, and \$800,467 reserved for debt.

As of June 30, 2015, restricted cash and cash equivalents consisted of:

Restricted Cash	
General governmental support	\$ 1,617,968
Transportation	2,372,928
Culture and recreation	74,942
Home and community services	<u>4,548,906</u>
Total Restricted Cash	<u>\$ 8,614,744</u>

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	\$ -	\$ -	\$ 2,521
State Reserves - Investments	-	976,100	-
Security Deposits	19,049	58,696	-
	<u>\$ 19,049</u>	<u>\$ 1,034,796</u>	<u>\$ 2,521</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.



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A summary of investments as of June 30, 2015 follows:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value</u>
Unrestricted:			
Certificates of deposit	\$ 7,908,591	\$ (49,4219)	\$ 7,859,372
CLASS investments	<u>8,162</u>	<u>-</u>	<u>8,162</u>
	<u>\$ 7,916,753</u>	<u>\$ (49,219)</u>	<u>\$ 7,867,534</u>

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

A summary of investments as of March 31, 2015 follows:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Market Value</u>
Unrestricted:			
Certificates of deposit	\$ 1,668,525	\$ 2,401	\$ 1,670,926
Investment - Housing Authority risk retention group	<u>22,201</u>	<u>-</u>	<u>22,201</u>
Total	<u>1,690,726</u>	<u>2,401</u>	<u>1,693,127</u>
Restricted - United States Treasury Bills	<u>207,245</u>	<u>4,041</u>	<u>211,286</u>
Total Investments	<u>\$ 1,897,971</u>	<u>\$ 6,442</u>	<u>\$ 1,904,413</u>

**Note 5 - Other Receivables**

Other receivables consist of the following as of June 30, 2015:

General Fund:	
Miscellaneous receivables	\$ 206,804
Special Revenue Fund - Sewer Fund:	
Sewer rents receivable	1,939,919
Septage treatment receivable	47,708
Capital Projects Fund:	
Sidewalk revolving loan fund	285,657
Water lateral revolving loan fund	375,390
Sewer lateral revolving loan fund	199,619
Other Governmental Funds:	
Water rents receivable	<u>1,163,103</u>
Total Governmental Funds	<u>\$ 4,218,200</u>
Power Utility Fund:	
Accounts receivable	7,598
Solid Waste Fund:	
Accounts receivable	279,140
Allowance for uncollectible receivables	<u>(18,907)</u>
Total Enterprise Funds	<u>\$ 267,831</u>

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Note 6 - Property Taxes

At June 30, 2015, the total real property tax receivable of \$4,837,223 is offset by an allowance for uncollectible taxes of \$927,697. The remaining portion of taxes receivable is offset by deferred inflow of resources of approximately \$3,480,057 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 2015 real property tax levy for City purposes totaled \$12,183,593. 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, 2015 was \$19,244,629, leaving a margin of \$10,812,686 after \$3,751,650 of exclusions.

Note 7 - Capital Assets

A summary of changes in capital assets at June 30, 2015 follows:

	June 30, 2014	Additions	Disposals	Reclassifi- cations	June 30, 2015
<u>Governmental activities</u>					
Non-depreciable capital assets:					
Land	\$ 4,252,631	\$ -	\$ -	\$ -	\$ 4,252,631
Construction in progress	27,025,039	10,595,384	-	(15,434,222)	22,186,201
Total Non-depreciable Capital Assets	31,277,670	10,595,384	-0-	(15,434,222)	26,438,832
Depreciable capital assets:					
Buildings and improvements	40,494,085	9,970	-	6,025	40,510,080
Machinery and equipment	39,159,821	1,578,299	(2,182,566)	254,463	38,810,017
Infrastructure	92,433,504	215,064	-	15,173,734	107,822,302
Total Depreciable Capital Assets	172,087,410	1,803,333	(2,182,566)	15,434,222	187,142,399
Total Historical Cost	203,365,080	12,398,717	(2,182,566)	-0-	213,581,231
Less accumulated depreciation:					
Buildings and improvements	(15,132,572)	(893,485)	-	-	(16,026,057)
Machinery and equipment	(26,494,043)	(1,717,804)	2,063,757	-	(26,148,090)
Infrastructure	(36,449,226)	(2,152,149)	-	-	(38,601,375)
Total Accumulated Depreciation	(78,075,841)	(4,763,438)	2,063,757	-0-	(80,775,522)
Governmental Activities Capital Assets, Net	\$ 125,289,239	\$ 7,635,279	\$ (118,809)	\$ -0-	\$ 132,805,709
<u>Business-type activities</u>					
Non-depreciable capital assets:					
Land	\$ 420,187	\$ -	\$ -	\$ -	\$ 420,187
Construction in progress	3,659,489	167,808	-0-	(3,822,537)	4,760
Total Non-depreciable Capital Assets	4,079,676	167,808	-0-	(3,822,537)	424,947
Depreciable capital assets:					
Buildings and improvements	27,993,053	15,066	-	4,083,922	32,092,041
Machinery and equipment	4,634,308	22,142	(426,137)	-	4,230,313
Infrastructure	265,856	-	-	(261,385)	4,471
Total Depreciable Capital Assets	32,893,217	37,208	(426,137)	3,822,537	36,326,825
Total Historical Cost	36,972,893	205,016	(426,137)	-0-	36,751,772
Less accumulated depreciation:					
Buildings and improvements	(18,552,743)	(873,814)	-	(26,727)	(19,453,284)
Machinery and equipment	(2,442,741)	(279,612)	426,137	(2,680)	(2,298,896)
Infrastructure	(23,483)	(6,637)	-	29,407	(713)
Total accumulated depreciation	(21,018,967)	(1,160,063)	-0-	-0-	(21,752,893)
Business-type activities capital assets, net	\$ 15,953,926	\$ (955,047)	\$ -0-	\$ -0-	\$ 14,998,879

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Amortization expense of \$84,828 was charged to the Power Utility Fund. Depreciation expense was charged to the functions as follows:

Governmental activities	
General governmental support	\$ 158,283
Public safety	626,138
Transportation	1,372,862
Culture and recreation	187,811
Home and community services	<u>2,418,344</u>
Total Governmental Activities	<u>\$ 4,763,438</u>
Business-type activities	\$
Power utility	187,828
Solid waste	<u>972,235</u>
Total Business-Type Activities	<u>\$ 1,160,063</u>

Note 8 - Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the System)

For the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of the Statements requires the City to report as a liability its portion of the collective net pension liability in the New York State Local Employees' Retirement System. The implementation of the Statements also requires the City to report a deferred outflow and/or inflow of resources for the effect of the net change in the City's proportion of the collective net pension liability and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The City's contributions to the pension systems subsequent to the measurement date are also included as a deferred outflow.

A. Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS)

The City participates in the New York State and Local Employees' Retirement System which include the New York State and Local Employees' Retirement System plan (ERS) and the New York State Local Police and Fire Retirement System plan (PFRS). These plans are cost-sharing multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

**B. Summary of Significant Accounting Policies**

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

**C. Contributions**

The City participates in New York State's Employer's Contribution Stabilization Program (Program), which allows it to amortize a portion of the actuarially required contribution. Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required under the program, and were as follows:

	ERS	PFRS
2015	\$ 1,114,891	\$ 2,489,040
2014	1,646,215	2,432,793
2013	1,402,886	1,965,646

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

At June 30, 2015, the City reported the following liability for its proportionate share of the net pension liability for each of the System plans. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the City by the System.

	ERS	PFRS
Actuarial valuation date	04/01/2015	04/01/2015
Net pension liability	\$ 3,378,245,000	\$ 275,260,000
City's portion of the Plan's total net pension liability	994,781	885,961

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For the year ended June 30, 2015, the City recognized pension expense of \$(649,600) for ERS and \$(1,574,159) for PFRS in the Government-wide financial statements. At June 30, 2015 the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 31,844	\$ 106,841	\$ -	\$ -
Changes of assumptions				
Net differences between projected and actual earnings on pension plan investments	172,781	297,446	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	-	-	73,693	37,019
City's contributions subsequent to the measurement date	422,205	1,309,268	-	-
Total	\$ 626,830	\$ 1,713,555	\$ 73,693	\$ 37,019

City contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS
Year ended:		
2016	\$ 32,733	\$ 88,326
2017	32,733	88,326
2018	32,733	88,326
2019	32,733	88,326
2020	-0-	13,964
Thereafter	-0-	-0-

E. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	ERS	PFRS
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.5%	7.5%
Salary scale	4.9%	6.0%
	April 1, 2005-	April 1, 2005-
	March 31, 2010	March 31, 2010
	System's	System's
Decrement tables	Experience	Experience
Inflation rate	2.7%	2.7%

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Annuitant mortality rates are based on April 1, 2005 - March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	ERS and PFRS
Asset Type:	March 31, 2015
Domestic equities	7.30%
International equities	8.55%
Real estate	8.25%
Private equity/Alternative investments	11.00%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Cash	2.25%
Inflation-indexed bonds	4.00%
Mortgages and bonds	4.00%

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
<b>ERS</b>			
City's proportionate share of the net pension (asset) liability	\$ 6,630,644	\$ 994,781	\$ (3,763,285)
<b>PFRS</b>			
City's proportionate share of the net pension (asset) liability	\$ 11,796,102	\$ 885,961	\$ (8,257,397)

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H. Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) liability of the employers as of the respective measurement dates were as follows:

Measurement date	Dollars in Thousands	
	ERS	PFRS
	March 31, 2015	March 31, 2015
Employers' total pension liability	\$ 164,591,504	\$ 28,474,417
Plan net position	(161,213,259)	(28,199,157)
Employers' net pension liability	<u>\$ 3,378,245</u>	<u>\$ 275,260</u>
Ratio of Plan Net Position to the Employers' Total Pension Liability	97.9%	99.0%

I. Payables to the Pension Plans

Employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$1,659,279.

J. Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended June 30, 2015 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Governmental Activities:			
ERS:			
Net pension liability	\$ (1,230,855)	\$ 310,683	\$ (920,172)
Deferred outflows of resources	221,454	358,364	579,818
Deferred inflows of resources	-0-	(68,166)	(68,166)
Subtotal	<u>(1,009,401)</u>	<u>600,881</u>	<u>(408,520)</u>
PFRS:			
Net pension liability	(1,339,949)	453,988	(885,961)
Deferred outflows of resources	556,365	1,157,190	1,713,555
Deferred inflows of resources	-0-	(37,019)	(37,019)
Subtotal	<u>(783,584)</u>	<u>1,574,159</u>	<u>790,575</u>
Total Effect on Net Position	<u>\$ (1,792,985)</u>	<u>\$ 2,175,040</u>	<u>\$ 382,055</u>
Business-type Activities			
ERS:			
Net pension liability	\$ (99,799)	\$ 25,190	\$ (74,609)
Deferred outflows of resources	17,956	29,056	47,012
Deferred inflows of resources	-0-	(5,527)	(5,527)
Total Effect on Net Position	<u>\$ (81,843)</u>	<u>\$ 48,719</u>	<u>\$ (33,124)</u>

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K. Restatement of Net Position

For the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these new accounting standards resulted in the reporting of deferred outflows of resources, a liability, and deferred inflows of resources related to the City's participation in the New York State Local Employees' Retirement System. The City's net position has been restated as follows:

Governmental Activities:

Net Position Beginning of Year, as Previously Stated		\$ 75,153,557
Beginning system liability - Employees' Retirement System	(1,230,855)	
Beginning system liability - Police and Fire Retirement System	(1,339,949)	
Beginning deferred outflow of resources for contributions subsequent to the measurement date:		
Employees' Retirement System	221,454	
Police and Fire Retirement System	556,365	
GASB Statement No. 68 implementation:		<u>(1,792,985)</u>
Net Position (Deficit) Beginning of Year, as Restated		<u>\$ 73,360,572</u>

Business-type Activities:

Net Position (Deficit) Beginning of Year, as Previously Stated		\$ 439,999
Beginning system liability - Employees' Retirement System	(99,799)	
Beginning deferred outflow of resources for contributions subsequent to the measurement date:		
Employees' Retirement System	17,956	
GASB Statement No. 68 implementation:		<u>(81,843)</u>
Net Position (Deficit) Beginning of Year, as Restated		<u>\$ 358,1566</u>

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.



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At June 30, 2015, the City had outstanding BANs of \$38,463,848, with the following issue and maturity dates, interest rates, amounts, and activity:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General obligation	05/28/2015	05/27/2016	1.125%	\$ 20,711,448
General obligation	05/28/2015	11/13/2015	1.25%	6,337,400
General obligation	03/02/2015	03/02/2016	1.25%	<u>11,415,000</u>
Total Bond Anticipation Notes				<u>\$ 38,463,848</u>

	<u>June 30, 2014</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>June 30, 2015</u>
Governmental activities:				
Capital project funds	\$ <u>29,977,591</u>	\$ <u>27,226,448</u>	\$ <u>(29,977,591)</u>	\$ <u>27,226,448</u>
Business-type activities:				
Solid-Waste Fund	332,320	-	(332,320)	-0-
Power utility fund	<u>9,939,300</u>	<u>11,237,400</u>	<u>(9,939,300)</u>	<u>11,237,400</u>
Total Business-Type Activities	<u>10,271,620</u>	<u>11,237,400</u>	<u>(10,271,620)</u>	<u>11,237,400</u>
Total Bond Anticipation Notes	<u>\$ 40,249,211</u>	<u>\$ 38,463,848</u>	<u>\$ (40,249,211)</u>	<u>\$ 38,463,848</u>

Short-term debt interest - Interest on BANs, net of premium received, in the governmental activities and business-type activities approximated \$314,369 and \$112,229, respectively, for the year ended June 30, 2015.

Note 10 - Lease Commitments

A. Capital Leases

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

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>
Governmental Activities:				
Fire truck	\$ 453,712	\$ -	\$ (48,891)	\$ 404,821
Camera	<u>32,069</u>	<u>-</u>	<u>(15,828)</u>	<u>16,241</u>
Total	<u>\$ 485,781</u>	<u>\$ -0-</u>	<u>\$ (64,719)</u>	<u>\$ 421,062</u>

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

The present value of capital leases is:

Year Ending June 30,		
2016	\$	84,612
2017		67,946
2018		67,946
2019		67,946
2020		67,946
2021-2022		135,893
		<u>492,289</u>
Less amount representing interest		71,227
Present value of future minimum lease payments	\$	<u>421,062</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, 2015, the total outstanding indebtedness (bonds, BANs, notes, and leases payable and other long-term personnel and landfill liabilities) of the City's primary government aggregated \$103,360,932. Of this amount approximately \$44 million is subject to the constitutional debt limit and represented 65% 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  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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. Subsequent to year end, the City accrued an additional \$750,000 payment on the PFRS amortized amount.

G. Changes in Indebtedness

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

	June 30, 2014	New Issues/ Additions	Maturities/ Payments	June 30, 2015	Amount Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 34,250,143	\$ 1,317,596	\$ 3,831,822	\$ 31,735,917	\$ 3,882,812
HUD Section 108 note payable	559,000	-	160,000	399,000	170,000
Other Long-Term Liabilities:					
Energy performance contract	4,379,762	1,874,595	513,563	5,740,794	439,410
Due to NYS retirement systems	1,349,655	597,499	240,862	1,706,292	210,129
Lease obligations payable	485,781	-	64,719	421,062	67,185
Other postemployment benefits	8,979,060	3,591,420	2,206,200	10,364,280	3,591,420
Judgments and claims payable	1,052,983	556,728	585,763	1,023,948	1,023,948
Compensated absences	1,589,557	1,740,913	1,589,557	1,740,913	87,046
Self-insurance liability	915,557	108,791	104,332	920,016	34,000
Total Other Long-Term Liabilities	18,752,355	8,469,946	5,304,997	21,917,304	5,453,138
Total Indebtedness	\$ 53,561,498	\$ 9,787,542	\$ 9,296,819	\$ 54,052,221	\$ 9,505,950
Business-Type Activities:					
Total General Obligation Bonds	\$ 5,881,191	\$ 1,117,204	\$ 837,291	\$ 6,161,104	\$ 922,849
Other Long-Term Liabilities:					
Employee retirement systems note	41,731	34,007	3,544	72,194	13,560
Landfill post closure liability	4,838,255	-	295,813	4,542,442	500,000
Notes payable	17,753	-	1,544	16,209	1,274
Compensated absences	82,593	-	29,680	52,913	2,646
Total Indebtedness	\$ 10,861,523	\$ 1,151,211	\$ 1,167,872	\$ 10,844,862	\$ 1,440,329

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

H. Debt Maturity Schedules

The following is a summary of bonds outstanding at June 30, 2015 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%	\$ 23,760
Public Improvement	04/12/01	03/01/17	0.00%	154,891
Sewer Refunding	06/20/02	11/15/24	1.326%-1.632%	515,000
Sewer Refunding	06/20/02	05/15/24	1.414%-1.941%	16,165,000
NYS EFC	03/13/03	04/15/17	.801%-2.137%	260,000
Public Improvement	06/01/03	06/01/23	3.25%-4.125%	1,750,000
NYS EFC	07/24/03	01/15/24	.790%-4.500%	1,230,000
Public Improvement	05/15/15	06/15/30	2.5-3.25%	2,414,800
Public Improvement	06/01/08	06/01/22	1.990%-2.570%	1,585,000
Public Improvement	10/05/12	06/01/23	1.25%-2.375%	1,795,000
NYPA Energy Conservation	03/01/09	03/01/29	1.92%	2,943,570
Public Improvement	06/01/11	06/01/23	2%-4%	6,310,000
Public Improvement	05/24/14	05/15/24	1.5%-2.5%	970,000
Public Improvement	06/23/15	06/01/26	2.0%-5.0%	1,780,000

Total General Obligation Bonds \$ 37,897,021

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

<u>Year 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>
2016	\$ 3,882,812	\$ 605,473	\$ 444,444	\$ 922,849	\$ 246,386	\$ 5,653
2017	3,906,232	533,896	402,572	963,132	214,996	2,827
2018	3,964,495	440,039	359,219	842,147	175,824	-
2019	3,637,636	353,071	314,787	861,300	142,954	-
2020	3,147,294	276,869	268,255	878,953	110,347	-
2021-2025	12,279,006	343,048	573,561	1,319,723	152,849	-
2026-2030	918,443	14,337		373,000	35,278	-
Total	\$ <u>31,735,918</u>	\$ <u>2,566,733</u>	\$ <u>2,362,838</u>	\$ <u>6,161,104</u>	\$ <u>1,078,634</u>	\$ <u>8,480</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.

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

<u>Year Ending</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 170,000	\$ 13,979	\$ 183,979
2017	180,000	6,266	186,266
2018	49,000	1,117	50,117
	\$ <u>399,000</u>	\$ <u>21,362</u>	\$ <u>420,362</u>

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the City of Auburn, New York recognized interest expense of \$1,168,109 for governmental activities and \$165,660 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.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:				
General Fund	\$ 617,102	\$ 1,414,464	\$ 1,470,246	\$ 1,758,731
Sewer Fund	779,200	1,090,050	420,576	8,594
Special Grant Fund	-	108,029	-	-
Capital Projects Fund	1,026,139	62,677	839,915	1,874,492
Non-Major governmental funds	999,058	689,413	773,974	8,594
Total Governmental Funds	<u>3,421,499</u>	<u>3,364,633</u>	<u>3,504,711</u>	<u>3,650,411</u>
Enterprise Funds:				
Power Utility Fund	263,596	327,676	145,700	-
Solid Waste Fund	153,825	146,611	-	-
Total Enterprise Funds	<u>417,421</u>	<u>474,287</u>	<u>145,700</u>	<u>-0-</u>
Total	<u>\$ 3,838,920</u>	<u>\$ 3,838,920</u>	<u>\$ 3,650,411</u>	<u>\$ 3,650,411</u>

**Note 13 - Other Postemployment Benefits**

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

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

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 the City recognized approximately \$672,000 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. This valuation was used as the basis for the estimate for other postemployment benefits of \$10,364,280 at June 30, 2015, 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, 2015</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>(2,206,200)</u>
Increase in net OPEB obligation	1,385,220
Net OPEB obligation - beginning of year	<u>8,979,060</u>
Net OPEB obligation - end year	<u><u>\$ 10,364,280</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2015 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 3,591,420	\$ 2,206,201	61.4%	\$ 10,364,280
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

Funded Status and Funding Progress - As of June 30, 2015, 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.

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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 actuarial valuation, the Entry Age Normal Method was used. 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 2015 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, 2015 was 25 years.

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 \$190,600 and a reserve of \$418,026 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 2015 paid during fiscal 2016 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 \$920,016 of workers' compensation claims on the Statement of Net Position as self-insurance liability which is expected be paid out over the next 21 years.

C. Judgments and Claims

As of June 30, 2015, the City has estimated a liability for judgments and claims of approximately \$1,024,000. The City has accrued approximately \$651,000 in general claims and \$373,000 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.

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

	Property, Casualty and Professional Liability		Police and Fire Workers' Compensation	
	2015	2014	2015	2014
Unpaid claims and claim adjustment expenses - beginning of year	\$ 1,052,983	\$ 731,205	\$ 915,557	\$ 721,056
Provisions and changes in provisions for claims and claim adjustment expenses:	556,728	527,849	108,791	314,381
Payments on claims and claims adjustment expenses attributable to insured events:	<u>(585,763)</u>	<u>(206,071)</u>	<u>(104,332)</u>	<u>(119,880)</u>
Total unpaid claims and claim adjustment expenses - end of year	<u>\$ 1,023,948</u>	<u>\$ 1,052,983</u>	<u>\$ 920,016</u>	<u>\$ 915,557</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 No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs."

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

The \$4.5 million reported as landfill closure and post closure care liability at June 30, 2015 represents approximately \$754,000 anticipated closing costs, and \$3.8 million post closure costs of which \$560,000 pertains to the post closure care monitoring for landfill site #1, which was closed September 1992.

The \$754,000 anticipated closing costs for landfill site #2 are based on 45.4% usage 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 \$1.1 million. Estimated closure costs remaining to be incurred are \$908,000.

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.



CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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 (PEBSO). The City had adopted the changes to its deferred compensation plan which bring the Plan in compliance with the requirements of subsection (G) of IRS section 457 and GASB Statement No. 32.

The Plan is available to all full-time and permanent part-time City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, 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 deferred compensation funds be held in trust for the exclusive benefit of its participants and their beneficiaries. The City has designated Nationwide Trust Company, FSB, as trustee in accordance with the New York State Deferred Compensation Board Rules and Regulations, as set forth at Part 9000 to Part 9006 of Subtitle II Title 9 NYCRR (the "Regulations" as published in the State Register on July 1, 1999, with an effective date of October 1, 1999) and Section 457 (g) of the Internal Revenue Code of 1986, as amended (the "Code") to hold these group annuity contracts under the City of Auburn's Model Plan for the exclusive benefit of participants and their beneficiaries.

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

Note 17 - Contingent Liabilities

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

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

Note 18 - Commitments

As of June 30, 2015, the City had outstanding contracts with various vendors for the construction of the following capital projects:

General government	\$	70,574
Public safety		466,073
Transportation		2,940,219
Culture and recreation		3,000
Home and community		<u>980,971</u>
	\$	<u><u>4,460,837</u></u>

CITY OF AUBURN  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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

The City's Capital Projects Fund had a deficit fund balance of \$(20,889,973). The Capital Projects fund deficit is expected to be eliminated with permanent financing.

The City's Power Utility and Solid Waste Funds had deficit fund balances of \$(138,640) and \$(56,073), respectively. These deficit fund balances are expected to be eliminated with future income.

## **Required Supplementary Information**

CITY OF AUBURN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - NON-GAAP BUDGET BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Real property taxes	\$ 11,674,413	\$ 11,674,413	\$ 11,632,804	\$ (41,609)
Real property tax items	777,000	777,000	872,846	95,846
Nonproperty tax items	8,985,000	8,985,000	9,604,503	619,503
Departmental income	793,000	793,000	833,910	40,910
Intergovernmental charges	262,000	262,000	287,139	25,139
Use of money and property	180,000	180,000	238,889	58,889
Licenses and permits	156,750	156,750	168,872	12,122
Fines and forfeitures	318,500	318,500	327,945	9,445
Sale of property and compensation for loss	177,000	177,000	179,291	2,291
Miscellaneous local sources	40,000	40,000	120,530	80,530
Interfund revenues	1,884,000	1,884,000	1,841,218	(42,782)
State sources	6,059,970	6,059,970	6,018,194	(41,776)
Federal sources	85,000	443,236	318,567	(124,669)
Total Revenues	<u>31,392,633</u>	<u>31,750,869</u>	<u>32,444,708</u>	<u>693,839</u>
<b>EXPENDITURES</b>				
General governmental support	3,595,138	3,566,202	3,339,404	(226,798)
Public safety	12,762,637	13,045,162	12,306,350	(738,812)
Transportation	1,364,030	1,413,172	1,331,624	(81,548)
Economic assistance and opportunity	50,000	50,000	50,000	-0-
Culture and recreation	1,454,456	1,455,852	1,289,765	(166,087)
Home and community services	1,410,583	1,391,144	565,830	(825,314)
Employee benefits	8,261,811	8,382,859	9,446,390	1,063,531
Debt service - principal and interest	2,897,100	2,897,100	2,980,421	83,321
Total Expenditures	<u>31,795,755</u>	<u>32,201,491</u>	<u>31,309,784</u>	<u>(891,707)</u>
Excess of (Expenditures) Revenues	<u>(403,122)</u>	<u>(450,622)</u>	<u>1,134,924</u>	<u>1,585,546</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
EPC savings	253,000	253,000	-	(253,000)
Planned balance - Debt stabilization reserve	(1,005,178)	(1,005,178)	-	1,005,178
Proceeds of obligations	-	-	36,800	
Interfund transfers out	(145,700)	(213,989)	(1,758,731)	(1,544,742)
Interfund transfers in	1,301,000	1,301,000	1,470,246	169,246
Total Other Financing Sources	<u>403,122</u>	<u>334,833</u>	<u>(251,685)</u>	<u>(623,318)</u>
Prior year encumbrances		100,950		
Use of fund balance		<u>14,839</u>		
Excess of Revenues and Other Financing Sources over (Expenditures) and Other (Uses)	\$ <u>-0-</u>	\$ <u>-0-</u>	<u>883,239</u>	\$ <u>962,228</u>
Net Change in Encumbrances			<u>(37,519)</u>	
Net Change in Fund Balance			845,720	
Fund Balances - Beginning of Year			<u>4,892,187</u>	
Fund Balances - End of Year			<u>\$ 5,737,907</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, 2015

	Sewer Fund			
	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Departmental income	\$ 7,735,000	\$ 7,735,000	\$ 6,643,462	\$ (1,091,538)
Use of money and property	6,000	6,000	14,393	8,393
Sale of property and compensation for loss	-	-	9,106	9,106
Miscellaneous local sources	-	-	22	22
Interfund revenues	110,000	110,000	110,000	-0-
Total Revenues	<u>7,851,000</u>	<u>7,851,000</u>	<u>6,776,983</u>	<u>(1,074,017)</u>
<b>EXPENDITURES</b>				
General governmental support	166,500	146,800	186,229	39,429
Home and community services	3,929,433	4,052,049	3,755,078	(296,971)
Employee benefits	719,913	719,913	763,522	43,609
Debt service - principal and interest	2,711,000	2,711,000	2,759,838	48,838
Total Expenditures	<u>7,526,846</u>	<u>7,629,762</u>	<u>7,464,667</u>	<u>(165,095)</u>
Excess of Revenues (Expenditures)	<u>324,154</u>	<u>221,238</u>	<u>(687,684)</u>	<u>(908,922)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	-	-	420,576	420,576
Interfund transfers out	(324,154)	(248,261)	(8,594)	239,667
Proceeds from long-term debt	-	-	4,400	4,400
Total Other Financing (Uses) Sources	<u>(324,154)</u>	<u>(248,261)</u>	<u>416,382</u>	<u>664,643</u>
Prior year encumbrances		<u>27,023</u>		
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources \$	<u>-0-</u>	<u>-0-</u>	<u>(271,302)</u>	<u>\$ (244,279)</u>
Net change in encumbrances			<u>(25,791)</u>	
Net change in fund balance			(297,093)	
Fund Balance - Beginning of Year			<u>1,773,913</u>	
Fund Balance - End of Year			<u>\$ 1,476,820</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, 2015

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)
6/30/2015	July 1, 2013	\$	\$ 56,812,379	\$ 56,812,379	0%	\$ 15,500,000	367%
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  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
NYSLRS PENSION PLAN  
FOR THE LAST 2 FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually required contribution		
ERS	\$ 1,348,667	\$ 1,492,288
PFRS	2,867,863	2,634,607
Contributions in relation to the contractually required contribution		
ERS	(1,114,891)	(922,016)
PFRS	(2,489,040)	(1,951,451)
Contribution deficiency (excess)		
ERS	233,776	570,272
PFRS	378,823	683,156
City's covered-employee payroll for year ending June 30,		
ERS	6,882,010	7,053,994
PFRS	10,065,913	9,697,498
Contributions as a percentage of covered-employee payroll		
ERS	16.2%	13.1%
PFRS	24.7%	20.1%

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

CITY OF AUBURN  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION (ASSET) LIABILITY  
NYSLRS PENSION PLAN  
FOR THE YEAR ENDED JUNE 30,

	<u>2015</u>
City's proportion of the net pension liability	
ERS	0.03%
PFRS	0.32%
City's proportionate share of the net pension liability	
ERS	\$ 994,781
PFRS	<u>885,962</u>
	1,880,743
City's covered-employee payroll	
ERS	6,873,032
PFRS	<u>10,232,180</u>
	17,105,212
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	
ERS	14.5%
PFRS	8.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability	
ERS	97.9%
PFRS	99.0%

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



CITY OF AUBURN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

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)

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 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.

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	\$ 845,720
Beginning of year adjustment for prior year encumbrances recognized as expenditures	(100,950)
End of year adjustment for current year encumbrances not recognized as expenditures	<u>138,469</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budget Basis	<u>\$ 883,239</u>

CITY OF AUBURN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ (297,093)
Beginning of year adjustment for prior year encumbrances recognized as expenditures	(27,023)
End of year adjustment for current year encumbrances not recognized as expenditures	<u>52,814</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budget Basis	<u>\$ (271,302)</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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Frederick J. Ciaschi, C.P.A.

### 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2015. 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.

December 7, 2015  
Ithaca, New York

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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, 2015. 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 30, 2015.

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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.



December 7, 2015  
Ithaca, New York

CITY OF AUBURN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<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>\$ 795,359</u>
Total Department of Housing and Urban Development			<u>795,359</u>
<u>Department of Justice</u>			
Direct Program:			
US Marshall's Service New York/New Jersey Regional Fugitive Force	16.Falcon 2008	N/A	5,367
Bullet Proof Vest Partnership Program	16.607	N/A	<u>2,353</u>
Total U.S. Department of Justice			<u>7,720</u>
<u>Department of Transportation</u>			
Passed Through NYS Department of Transportation:			
		375293, 375385, 375443, and	
Highway Planning and Construction	20.205	375458	2,266,594
National Infrastructure Investments	20.933	375557	<u>80,361</u>
Total Department of Transportation			<u>2,346,955</u>
<u>Environmental Protection Agency</u>			
Direct Program:			
Brownsfields Assessments and Cleanup Cooperative Agreements	66.818	N/A	<u>74,048</u>
Total Environmental Protection Agency			<u>74,048</u>
<u>Corporation for National and Community Service</u>			
Direct Program:			
Retired and Senior Volunteer Program	94.002	N/A	<u>31,029</u>
Total Corporation for National and Community Service			<u>31,029</u>
<u>Department of Homeland Security</u>			
Direct Program:			
Staffing for Adequate Fire and Emergency Response	97.083	N/A	<u>279,818</u>
Total Department of Homeland Security			<u>279,818</u>
Total Federal Expenditures			<u><u>\$ 3,534,929</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, 2015

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 the 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, 2015 under this Program, as reported in the City's financial statements, are as follows:

Notes Receivable	\$ 4,654,374
Less: Allowance for Uncollectible Accounts	<u>(783,610)</u>
Net Notes Receivable	<u><u>\$ 3,870,764</u></u>

The City disbursed new loans in the amount of \$169,668 and received program income from repayment of loan principal in the amount of \$264,858.



CITY OF AUBURN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 7,500
Child Care Solutions	9,070
Cayuga Seneca Community Action Agency	3,705
Boyle Senior Center	12,000
Legal Aid of Mid New York	11,124
Cayuga Counseling Services	12,826
Aurora of CNY	11,631
Rescue Mission of CNY	18,000
Transportation Project of Cayuga County SCAT Van	10,000
Chapel House Homeless Shelter	9,443
Calvary Food Pantry	<u>10,000</u>
Total	<u>\$ 115,299</u>

CITY OF AUBURN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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 Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

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Frederick J. Ciaschi, C.P.A.

### MANAGEMENT COMMENT LETTER

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn (the City) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. 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.

During our current year audit, we reviewed prior year audit findings to evaluate the current year status presented below for your review and information. This letter does not affect our report dated December 7, 2015 on the financial statements of the City of Auburn.

### **OTHER MATTERS**

#### Fully Reserved Interfund Receivable

##### Prior Year Observation:

In the form of budget transfers, the General Fund has contributed a large amount of funding to keep the Power Utility Fund running. The Power Utility Fund has not recorded the amount due back to the General Fund because of its present financial condition.

##### Current Status:

Accounts have been created in the General Fund to reserve amounts due but have been fully reserved as the Power Utility Fund is not in a financial position to repay these amounts. The City is hopeful action can be taken in the future to repay the General Fund. At this time, these transfers are not considered a loan.

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### Formalized Internal Risk Assessment

**Prior Year Observation:**

No formal risk assessment had been performed by the City.

**Current Status:**

Work on a formal risk assessment was started in 2014, but has not been completed.

### Capitalization Policy

**Prior Year Observation:**

The capitalization policy calls for capitalization of items with original costs of \$500 or more with a useful life of more than one year. The predecessor auditors had recommended management consider an increase in the capitalization threshold.

**Current Status:**

Subsequent to year end, the capitalization threshold has been increased to \$5,000.

### **OTHER MATTERS - Resolved**

#### City's Future Viability

**Prior Year Observation:**

General Fund fund balance has declined by approximately \$2,700,000, \$1,700,000 and \$900,000 for the years ended June 30, 2013, 2012, and 2011. During the fiscal year ended June 30, 2014, the General Fund fund balance increased by \$352,274.

**Current Status:**

During the fiscal year ended June 30, 2015, the General Fund fund balance increased by \$845,720 and the year ended with a total fund balance of \$5,737,907, \$3,797,325 of which is unassigned.

#### Purchase Order Review

**Prior Year Observation:**

A significant number of old non-capital related purchase orders were outstanding.

**Current Status:**

There were no inactive, old, open, outstanding purchase orders observed during our current year audit. There were some old purchase orders, which were appropriately still open, for grants in the Special Grants Fund and for open projects in the Capital Projects Fund, which will remain open until the grant or project is complete.

#### Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The City of Auburn is in the process of assessing the future effects of the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 72, "Fair Value Measurement and Application," effective for the year ending June 30, 2016;
- GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," for OPEB. Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," establishes new accounting and financial reporting requirements for OPEB plans;
- GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective for the year ending June 30, 2016.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Cronchi, Dietershagen, Little, Michale : Condy, LHP

December 7, 2015  
Ithaca, New York