

CITY OF AUBURN

FINANCIAL REPORT

JUNE 30, 2016



CITY OF AUBURN

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, New York, as of and for the year ended June 30, 2016, 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.

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, 2016, 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.

Prior Period Financial Statements

The financial statements as of June 30, 2015, were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP, who merged with Insero & Co. CPAs, LLP as of January 1, 2016, and whose report dated December 7, 2015 expressed an unmodified opinion on those statements.

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, the Schedule of the City's Proportionate Share of Net Pension Liability, and the required supplementary information on pages 4 through 13, and 71 through 78 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 financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are 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 October 26, 2016 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.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPA, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPA, LLP
Certified Public Accountants

Ithaca, New York
October 26, 2016

Management's Discussion and Analysis

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

The following is a discussion and analysis of the City of Auburn's financial performance for the fiscal year ended June 30, 2016. 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

- During the current year, the City created a Police Seizure Fund. As a result, beginning net position was restated to account for the beginning fund balance in this fund. The net effect of this change resulted in a \$431,607 increase in prior period net position.
- The City's unassigned General Fund balance at June 30, 2016 is \$4,107,811 compared to a balance of \$3,797,325 in 2015. Total fund balance in the General Fund increased \$69,343 in 2016 compared to an increase of \$845,720 in 2015.
- Overall net position of the City, including governmental activities, business-type activities, and capital assets, increased by \$1,298,939 million or 1.67%.
- City expenses overall increased in 2016 by \$3,204,728 or 6.7% from 2015. Overall revenues decreased in 2016 by \$981,000 or 1.9%.
- The City records its proportionate share of the net pension (asset) liability along with deferred inflows and outflows related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in an increase of government wide expenses of \$2,727,397.
- The City's total debt and long term liabilities decreased by \$1.2 million during the current fiscal year primarily because principal payments on outstanding debt exceeded cost of new debt issued.
- Resources available for appropriation in the General Fund were \$292,822 greater than budgeted and expenditures were \$(1,052,614) less when compared to budget. Expenditures were under budget primarily due to employee turnover and cost reduction efforts.

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Using this Annual Report

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 through 16) provide information about the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 17. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the Government-wide statements by providing information about the City's most significant funds. The remaining statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. In addition to the basic financial statements, the annual report contains budgetary comparison information for the General Fund and Major Special Revenue Funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 14, with the Government-wide statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer the question of whether the City, as a whole, is better off or worse off as a result of the year's activities.

These statements include *all* assets, 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 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.

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

- **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.

Fund Financial Statements

Analysis of the City's Major Funds begins on page 17. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular 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 FOR THE YEAR ENDED JUNE 30, 2016

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 (page 25). 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, as restated, for fiscal year ended June 30, 2016 increased \$1,298,939, from \$77,672,059 as restated to \$78,970,998, in comparison to last year when net position increased by \$3,521,724. By far, the largest portion of the City's net position (95.6.%) 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
	2016	2015 Restated	2016	2015 Restated	2016	2015 Restated	2015-2016
Current assets	\$ 30,695	\$ 36,679	\$ 7,587	\$ 7,167	\$ 38,282	\$ 43,846	(12.7%)
Other noncurrent assets	3,548	3,792	-	-	3,548	3,792	(6.4%)
Capital assets, net	136,134	132,806	15,352	14,999	151,486	147,805	2.5%
Total Assets	170,377	173,277	22,939	22,166	193,316	195,443	(1.1%)
Pensions	14,655	2,293	325	47	14,980	2,340	540.2%
Deferred Outflows of Resources	14,655	2,293	325	47	14,980	2,340	540.2%
Current liabilities	44,795	51,246	6,579	12,923	51,374	64,169	(19.9%)
Noncurrent liabilities	58,955	46,352	16,320	9,479	75,275	55,831	34.8%
Total Liabilities	103,750	97,598	22,899	22,402	126,649	120,000	5.5%
Pensions	2,630	105	46	6	2,676	111	2,310.8%
Deferred Inflows of Resources	2,630	105	46	6	2,630	111	2,269.4%
Net investment in capital assets	74,596	75,078	916	104	75,512	75,182	0.4%
Restricted	633	810			633	810	(21.8%)
Unrestricted	3,423	1,979	(597)	(299)	2,826	1,680	68.2%
Total Net Position	\$ 78,652	\$ 77,867	\$ 319	\$ (195)	\$ 78,971	\$ 77,672	1.7%

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

The net position of the City's Governmental Activities increased by 1.0% or \$785,537 during fiscal 2016. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, increased from \$2,779,733 at June 30, 2015, as restated, to \$3,422,632 at June 30, 2016. This increase in unrestricted governmental net position is primarily due to the excess of revenues over expenditures in the current year.

Net position of Business-type Activities increased by \$513,402 during the year ending June 30, 2016. The total non-capital portion of the net (deficit) of \$(299,332) at June 30, 2015 increased to \$(597,091) at June 30, 2016, primarily due to an increase in capital assets net of related debt in those funds.

The City's total revenues increased by 1.9%, or approximately \$981,000 mainly due to an increase in landfill revenues after a policy change in late fiscal year ended 2015. The total cost of all programs and services increased by 6.7%, or approximately \$3.2 million. Our analysis in Figure 2 separately considers the operations of Governmental and Business-type Activities.

Figure 2 - Changes in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2016	2015	2016	2015	2016	2015	2015-2016
PROGRAM REVENUES							
Charges for services	\$ 14,326	\$ 14,911	\$ 3,685	\$ 2,853	\$ 18,011	17,764	1.4%
Operating grants	1,463	1,318	-	-	1,463	1,318	11.0%
Capital grants	3,883	3,481	-	-	3,883	3,481	11.5%
GENERAL REVENUES							
Property taxes and tax items	12,956	12,749	-	-	12,956	12,749	1.6%
Nonproperty taxes	9,172	9,605	-	-	9,172	9,605	(4.5%)
State/Federal sources	5,266	5,204	-	-	5,266	5,204	1.2%
Other	1,427	1,094	73	55	1,500	1,149	30.5%
Total Revenues	48,493	48,362	3,758	2,908	52,251	51,270	1.9%
PROGRAM EXPENSES							
General government	6,096	5,548	-	-	6,096	5,548	9.9%
Public safety	21,483	19,463	-	-	21,483	19,463	10.4%
Transportation	3,277	3,148	-	-	3,277	3,148	4.1%
Economic assistance and opportunities	50	50	-	-	50	50	0.0%
Culture and recreation	1,869	1,877	-	-	1,869	1,877	(0.4%)
Home and community services	12,574	12,453	-	-	12,574	12,453	1.0%
Interest on long-term debt	1,159	1,482	-	-	1,159	1,482	(21.8%)
Power utility	-	-	1,425	1,094	1,425	1,094	30.3%
Solid waste	-	-	2,504	2,513	2,504	2,513	(0.4%)
OTHER EXPENSES							
Loss on disposal of fixed assets	515	119	-	-	515	119	332.8%
Total Expenses	47,024	44,141	3,929	3,607	50,953	47,748	6.7%
Excess before transfers	1,469	4,220	(171)	(699)	1,298	3,521	(63.1%)
Transfers/capital contributions	(684)	(146)	684	146	-	-	-
Increase (Decrease) in Net Position	\$ 786	\$ 4,075	\$ 513	\$ (553)	\$ 1,299	\$ 3,522	(63.1%)

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Governmental Activities

Revenues for the City's Governmental Activities increased \$131,581, or 0.3%, while total expenditures increased \$2,882,395, or 6.5%. The revenue increase is mainly due to an increase in Federal capital grants for sewer rehabilitation projects received in the current year. The expenditure increase resulted from changes in recording net pension liability and related deferred inflows and outflows of resources associated with these changes. Changes in pension accounts resulted in a net increase in expenses of \$2,727,397.

The City increased its property tax rate to \$12.56 per thousand in 2015-16 versus \$12.40 per thousand in 2014-15. The City's tax levy, supported by a stable taxable assessed valuation, increased to \$12,407,529 in 2015-16. These amounts are included within the property taxes and tax items lines, which indicate an overall 1.8% rate increase from 2015 to 2016.

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

Revenue by Source - Governmental Activities		
Charges for Services	\$ 14,326	29.9%
Operating Grants	1,463	3.0%
Capital Grants	3,884	8.1%
Property Taxes	12,956	27.0%
Sales, Gross Receipts and Franchise Taxes	9,172	19.1%
State/Federal Sources	5,266	11.0%
Other	911	1.9%
Total	\$ 47,978	100%

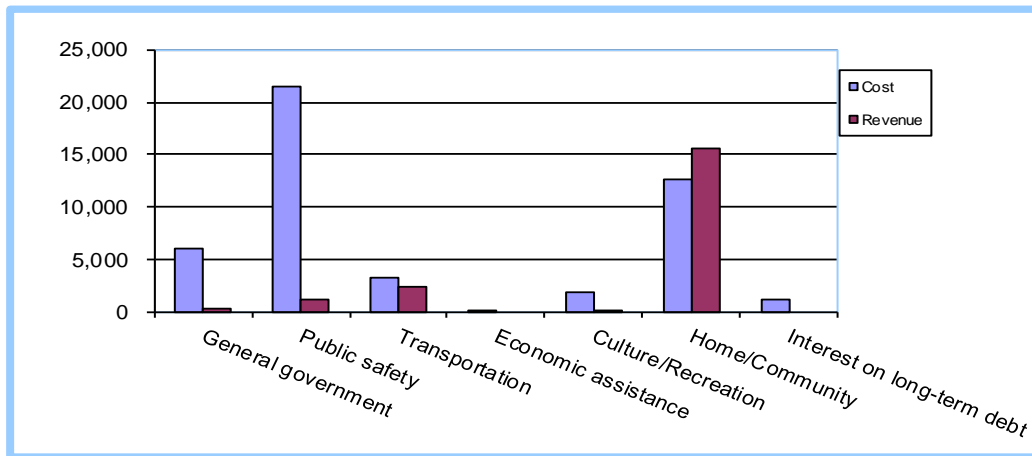
The cost of all governmental activities this year was \$46,508,451. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City property and payments in lieu of taxes was \$26,835,309, because some of the cost was paid by those who directly benefited from the programs: \$14,326,462; or by other governments and organizations that subsidized certain programs with grants and contributions totaling \$5,346,680. Overall, the City's governmental program revenues, including fees for services and grants, were \$19,673,142. The City paid for the remaining "public benefit" portion of governmental activities with \$28,820,028 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 placed on the City's taxpayers by each of these functions.

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Figure 4
Net Program Cost - Governmental Activities



Business-type Activities

Operating revenues of the City's Business-type Activities (see Figure 2) increased by 29.2%, or \$831,835, in 2016. Operating expenses increased in 2016 by 6.5%, or \$217,677. The main increase in expenses was in contractual services in the Power Utility Fund. Revenues increased due to increasing charges for services at the landfill.

The City's Funds

As the City completed the year, its Governmental Funds, as presented in the Balance Sheets on page 17, reported a combined fund deficit of \$(8,088,600), which is lower than last year's deficit as restated of \$(9,058,648). Figure 5 and Figure 6 show the changes in fund balances for the year for the City's major funds. The \$(8,088,600) is primarily the result of a deficit in the Capital Projects Fund of \$(19,716,504) which is expected to be eliminated as short-term BAN financing is converted to long-term bonds. 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 in addition to 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 Fund had a deficit fund balance of \$(60,188) and the Solid Waste Funds had a fund balance of \$378,877. The deficit balance in the Power Utility Fund is expected to reverse in the next two to three budget cycles, when the North Division Street Dam Hydro-Electric facility is fully operational. The Refuse Collection Fund deficit was covered by the General Fund through an interfund transfer in the current year.

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

The General Fund had an increase in revenues of \$350,106 or 1.1%. This is mainly due to an increase in property taxes and interest/premium income offset by a decrease in sales tax revenues. Expenditures decreased by \$734,089 because of a decrease in benefits and salaries associated with employee turnover. During fiscal 2016, the General Fund transferred approximately \$680,000 to the Power Utility Fund to cover the deficit generated by the landfill gas to electricity project as compared to \$145,700 in fiscal 2015. In fiscal 2015, there were transfers to the General Fund of approximately \$1.8 million versus less than \$1,000 in fiscal 2016. Overall, the General Fund added \$69,343 to its fund balance for fiscal 2016.

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

	Governmental Funds		Percent Change
	2016	2015	2015-2016
General Fund	\$ 5,807	\$ 5,738	1.2%
Sewer Fund	761	1,477	(48.5%)
Special Grant Fund	2,995	2,800	7.0%
Capital Projects Fund	(19,717)	(20,890)	5.6%
Other Governmental Funds	2,065	1,816	13.7%
Totals	\$ (8,089)	\$ (9,059)	10.7%

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

	Total Enterprise Funds		Percent Change
	2016	2015	2015-2016
Power Utility Fund	\$ (60)	\$ (139)	56.8%
Solid Waste Fund	379	(56)	776.8%
Totals	\$ 319	\$ (195)	263.6%

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 \$235,839 and appropriations of \$374,290.

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the City had \$151,486,155, 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 2.5% or \$3,681,567 over last year's capital assets, net of accumulated depreciation of \$147,804,588.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2016	2015	2016	2015	2016	2015	2015-2016
Land	\$ 4,253	\$ 4,253	\$ 420	\$ 420	\$ 4,673	\$ 4,673	0.0%
Construction in progress	15,945	22,186	998	5	16,943	22,191	(23.6%)
Buildings and improvements	26,266	24,484	7,708	12,639	33,974	37,123	(8.5%)
Equipment	13,095	12,662	1,734	1,931	14,829	14,593	1.6%
Infrastructure	76,575	69,221	4,492	4	81,067	69,225	17.1%
Totals	\$ 136,134	\$ 132,806	\$ 15,352	\$ 14,999	\$ 151,486	\$ 147,805	2.5%

At year-end, the City had entered into contracts with various vendors for total commitments outstanding of \$4,408,602, of which \$68,141 was committed for general government projects, \$50,413 was committed for public safety, \$1,634,985 was committed for transportation projects, \$16,162 was committed for culture and recreation, and \$2,638,901 was committed for home and community projects. More detailed information can be found in Note 22 to the financial statements regarding these commitments.

Debt and Long-term Liabilities

Debt and long-term liabilities increased by \$11.7 million and brought the total to approximately \$116.9 million as of June 30, 2016, as shown in Figure 8. Of this amount, approximately \$45 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 changes in these long-term liabilities were: an increase in net pension liability - proportionate share of \$12.8 million; a decrease of \$8.8 million in BAN's; and an increase of \$7.7 million in bonds, primarily the result of the issuance of New Clean Renewable Energy serial bonds. Additionally, other postemployment benefits increased \$1.9 million based on the actuarial valuation performed as of July 1, 2015.

CITY OF AUBURN

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2016	2015	2016	2015	2016	2015	2015-2016
General Obligation Bonds	\$ 32,101	\$ 31,736	\$ 13,531	\$ 6,161	\$ 45,632	\$ 37,897	20.4%
BANs	25,867	27,226	3,772	11,238	29,639	38,463	(22.9%)
Landfill closure and postclosure	-	-	4,122	4,542	4,122	4,542	(9.2%)
Notes payable	5,531	6,140	15	16	5,546	6,156	(9.9%)
Lease obligations	354	421	-	-	354	421	(15.9%)
Other post-employment benefits	12,310	10,365	-	-	12,310	10,365	18.8%
Net pension liability - proportionate share	14,370	1,806	352	75	14,722	1,881	682.7%
Other long-term liabilities	4,424	5,391	111	125	4,535	5,516	(17.8%)
Totals	\$ 94,957	\$ 83,085	\$ 21,903	\$ 22,157	\$ 116,860	\$ 105,242	11.0%

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 2016-17 General Fund budget is \$33,230,303, which is a decrease of 2.0% from the adopted June 30, 2016 budget of \$33,925,153 including appropriations and transfers out. The tax rate decreased from \$12.56 per thousand to \$12.03 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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Auburn Industrial Development Authority December 31, 2015	Auburn Housing Authority March 31, 2016
ASSETS					
Current assets:					
Cash and cash equivalents, unrestricted	\$ 8,022,378	\$ 4,647,559	\$ 12,669,937	\$ 435,564	\$ 1,157,084
Cash and cash equivalents, restricted	3,358,329	2,881,575	6,239,904	-	1,088,519
Investments	8,034,768	-	8,034,768	-	1,435,267
Investments, restricted	9,322	-	9,322	-	237,630
Taxes receivable, net	3,940,279	-	3,940,279	-	-
Internal balances	509,604	(509,604)	-	-	-
Due from state and federal governments	2,036,440	-	2,036,440	-	-
Due from other governments	619,591	232,191	851,782	-	-
Other receivables, net	3,782,189	335,079	4,117,268	8,773	85,555
Loans receivable, current	191,757	-	191,757	-	-
Prepaid expenses	-	-	-	-	62,180
Deposits	190,600	-	190,600	-	-
Property leases, current	-	-	-	114,963	-
Total Current Assets	30,695,257	7,586,800	38,282,057	559,300	4,066,235
Noncurrent Assets:					
Loans receivable, long-term	3,548,099	-	3,548,099	-	936,287
Property leases, long-term	-	-	-	1,949,206	-
Capital assets, non-depreciable	20,197,168	1,418,582	21,615,750	255,410	276,622
Depreciable capital assets, net	115,936,604	13,933,801	129,870,405	-	5,999,079
Total Noncurrent Assets	139,681,871	15,352,383	155,034,254	2,204,616	7,211,988
Total Assets	170,377,128	22,939,183	193,316,311	2,763,916	11,278,223
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	14,655,014	325,245	14,980,259	-	103,967
Total Deferred Outflows of Resources	14,655,014	325,245	14,980,259	-	103,967
Total Assets and Deferred Outflows of Resources	\$ 185,032,142	\$ 23,264,428	\$ 208,296,570	\$ 2,763,916	\$ 11,382,190
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,479,295	\$ 914,039	\$ 2,393,334	\$ 301,156	\$ 110,893
Accrued payroll	660,495	18,414	678,909	-	-
Due to other governments	1,905,365	-	1,905,365	-	-
Due to employees' retirement system	902,258	22,227	924,485	-	-
Bond anticipation notes payable	25,867,366	3,771,700	29,639,066	-	-
Accrued interest payable	155,852	41,630	197,482	5,700	-
Unearned revenue	3,688,903	-	3,688,903	-	7,545

See Independent Auditor's Report and Notes to Financial Statements

CITY OF AUBURN

STATEMENT OF NET POSITION (Continued) JUNE 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Auburn Industrial Development Authority December 31, 2015	Auburn Housing Authority March 31, 2016
LIABILITIES (Continued)					
Current portion of long-term liabilities:					
Lease obligations payable	\$ 53,084	\$ -	\$ 53,084	\$ -	\$ -
Bonds payable	4,160,521	1,211,667	5,372,188	114,963	-
Notes payable	632,956	1,274	634,230	-	-
Employees' retirement system notes payable	92,197	5,169	97,366	-	-
Compensated absences	84,597	3,103	87,700	-	7,595
Other postemployment benefits	3,938,459	-	3,938,459	-	-
Self insurance liability	33,892	-	33,892	-	-
Claims and judgments payable	1,139,647	-	1,139,647	-	-
Landfill post closure liability	-	263,200	263,200	-	-
Total Current Liabilities	<u>44,794,887</u>	<u>6,252,423</u>	<u>51,047,310</u>	<u>421,819</u>	<u>126,033</u>
Long-term liabilities:					
Net pension liability - proportionate share	14,370,490	352,402	14,722,892	-	73,101
Lease obligations payable	300,793	-	300,793	-	-
Bonds payable	27,940,540	12,319,323	40,259,863	1,949,206	-
Notes payable	4,898,149	14,214	4,912,363	23,100	-
Employees' retirement system notes payable	796,507	43,565	840,072	-	-
Compensated absences	1,607,342	58,947	1,666,289	-	57,418
Other postemployment benefits	8,371,516	-	8,371,516	-	198,857
Self insurance liability	669,743	-	669,743	-	-
Landfill post closure liability	-	3,858,470	3,858,470	-	-
Total Long-Term Liabilities	<u>58,955,080</u>	<u>16,646,921</u>	<u>75,602,001</u>	<u>1,972,306</u>	<u>329,376</u>
Total Liabilities	<u>103,749,967</u>	<u>22,899,344</u>	<u>126,649,311</u>	<u>2,394,125</u>	<u>455,409</u>
DEFERRED INFLOWS OF RESOURCES					
Pensions	2,629,866	46,395	2,676,261	-	13,009
Total Deferred Inflows of Resources	<u>2,629,866</u>	<u>46,395</u>	<u>2,676,261</u>	<u>-</u>	<u>13,009</u>
NET POSITION					
Net investment in capital assets	74,596,463	915,780	75,512,243	232,310	6,202,600
Restricted	633,214	-	633,214	-	2,297,257
Unrestricted	<u>3,422,632</u>	<u>(597,091)</u>	<u>2,825,541</u>	<u>137,481</u>	<u>2,413,915</u>
Total Net Position	<u>78,652,309</u>	<u>318,689</u>	<u>78,970,998</u>	<u>369,791</u>	<u>10,913,772</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 185,032,142</u>	<u>\$ 23,264,428</u>	<u>\$ 208,296,570</u>	<u>\$ 2,763,916</u>	<u>\$ 11,382,190</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF AUBURN

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

	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
								December 31, 2015	March 31, 2016
PRIMARY GOVERNMENT									
Governmental activities:									
General government support	\$ 6,095,864	\$ 217,778	\$ -	\$ 28,871	\$ (5,849,215)	\$ -	\$ (5,849,215)	\$	
Public safety	21,483,122	804,111	472,253	-	(20,206,758)	-	(20,206,758)		
Transportation	3,277,260	402,852	163,664	1,787,278	(923,466)	-	(923,466)		
Economic assistance and opportunity	50,000	-	-	-	(50,000)	-	(50,000)		
Culture and recreation	1,869,006	37,151	38,320	31,098	(1,762,437)	-	(1,762,437)		
Home and community services	12,573,774	12,864,570	788,957	2,036,239	3,115,992	-	3,115,992		
Interest on long-term debt	1,159,425	-	-	-	(1,159,425)	-	(1,159,425)		
Total Governmental Activities	46,508,451	14,326,462	1,463,194	3,883,486	(26,835,309)	-	(26,835,309)		
Business-type activities:									
Power utility fund	1,424,929	758,822	-	-	-	(666,107)	(666,107)		
Solid waste	2,503,994	2,926,183	-	-	-	422,189	422,189		
Total Business-type Activities	3,928,923	3,685,005	-	-	-	(243,918)	(243,918)		
Total Primary Government	\$ 50,437,374	\$ 18,011,467	\$ 1,463,194	\$ 3,883,486	(26,835,309)	(243,918)	(27,079,227)		
Component units:									
Auburn Industrial Development Authority	1,478,309	-	-	-	-	-	-	(1,478,309)	-
Auburn Housing Authority	3,431,951	1,497,994	2,036,447	32,985	-	-	-	-	135,475
Total Component Units	\$ 4,910,260	\$ 1,497,994	\$ 2,036,447	\$ 32,985	-	-	-	(1,478,309)	135,475
Net (expense) revenue and changes brought forward:					(26,835,309)	(243,918)	(27,079,227)	(1,478,309)	135,475
GENERAL REVENUES									
Real property taxes					12,102,960	-	12,102,960	-	-
Real property tax items					852,579	-	852,579	1,435,162	-
Sales taxes					8,453,760	-	8,453,760	-	-
Utilities gross receipts tax					255,852	-	255,852	-	-
Franchise taxes					462,635	-	462,635	-	-
Use of money and property					578,463	73,378	651,841	74	49,196
Sale of property and compensation for loss					412,291	-	412,291	-	-
Miscellaneous local sources					435,884	-	435,884	20,500	-
State and federal sources not restricted to specific programs					5,265,604	-	5,265,604	-	-
(Loss) gain on disposal of fixed assets					(515,240)	-	(515,240)	-	9,574
Transfers - internal activities					(683,942)	683,942	-	-	-
Total General Revenues and Transfers					27,620,846	757,320	28,378,166	1,455,736	58,770
Change in Net Position					785,537	513,402	1,298,939	(22,573)	194,245
Net position - Beginning of Year, as Restated					77,866,772	(194,713)	77,672,059	392,364	10,719,527
Net position - End of Year	\$	\$	\$	\$	78,652,309	318,689	78,970,998	369,791	10,913,772

CITY OF AUBURN

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund	Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents, unrestricted	\$ 2,611,190	\$ -	\$ 2,944,277	\$ 1,080,118	\$ 1,386,793	\$ 8,022,378
Cash and cash equivalents, restricted	891,122	7,949	-	2,316,100	143,158	3,358,329
Investments	8,029,624	2,755	-	-	2,389	8,034,768
Investments, restricted	-	-	-	-	9,322	9,322
Taxes receivable, net	3,940,279	-	-	-	-	3,940,279
Due from other funds	2,330,919	649,204	-	1,781,129	303,033	5,064,285
Due from fiduciary funds	-	-	-	-	-	-
Due from state and federal governments	299,881	-	90,892	1,645,667	-	2,036,440
Due from other governments	619,591	-	-	-	-	619,591
Other receivables, net	194,967	1,676,364	-	830,357	1,080,501	3,782,189
Deposits	190,600	-	-	-	-	190,600
Loans receivable, net	-	-	3,739,856	-	-	3,739,856
Total Assets	\$ 19,108,173	\$ 2,336,272	\$ 6,775,025	\$ 7,653,371	\$ 2,925,196	\$ 38,798,037
LIABILITIES						
Accounts payable and accrued liabilities	\$ 513,382	\$ 163,803	\$ 15,642	\$ 644,944	\$ 141,524	\$ 1,479,295
Accrued payroll	562,734	43,845	-	-	53,916	660,495
Due to other funds	2,302,604	1,317,641	24,847	301,558	608,031	4,554,681
Due to other governments	1,905,364	-	-	1	-	1,905,365
Due to retirement system	795,524	50,098	-	-	56,636	902,258
Bond anticipation notes payable	-	-	-	25,867,366	-	25,867,366
Unearned revenue	3,688,903	-	-	-	-	3,688,903
Total Liabilities	9,768,511	1,575,387	40,489	26,813,869	860,107	39,058,363
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - not collected in the recognition period	3,532,412	-	3,739,856	556,006	-	7,828,274
FUND BALANCES						
Nonspendable	-	-	-	-	9,336	9,336
Restricted	433,811	46,916	-	-	143,158	623,885
Committed	1,200,570	773	-	-	34,209	1,235,552
Assigned	65,058	713,196	2,994,680	-	1,878,386	5,651,320
Unassigned	4,107,811	-	-	(19,716,504)	-	(15,608,693)
Total Fund Balances (Deficit), as restated	5,807,250	760,885	2,994,680	(19,716,504)	2,065,089	(8,088,600)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,108,173	\$ 2,336,272	\$ 6,775,025	\$ 7,653,371	\$ 2,925,196	\$ 38,798,037

CITY OF AUBURN

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Total Governmental Fund Balances (Deficit) as restated \$ (8,088,600)

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	\$ 221,519,299	
Accumulated depreciation	<u>(85,385,527)</u>	136,133,772

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	(14,370,490)
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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	\$ (155,852)	
Employees' retirement system note payable	(888,704)	
Compensated absences	(1,691,939)	
Self insurance liability	(703,635)	
Other postemployment benefits	(12,309,975)	
Claims and judgments	<u>(1,139,647)</u>	(16,889,752)

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	\$ (32,101,061)	
Leases payable	(353,877)	
Notes payable	<u>(5,531,105)</u>	(37,986,043)

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	\$ 14,655,014	
Unavailable revenue	7,828,274	
Deferred inflows of resources	<u>(2,629,866)</u>	<u>19,853,422</u>

Net Position of Governmental Activities	\$ <u>78,652,309</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, 2016

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund	Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Real property taxes	\$ 12,050,605	\$ -	\$ -	\$ -	\$ -	\$ 12,050,605
Real property tax items	852,579	-	-	-	-	852,579
Nonproperty taxes	9,172,247	-	-	-	-	9,172,247
Departmental income	895,760	6,339,129	271,232	-	4,231,266	11,737,387
Intergovernmental charges	246,376	-	-	-	-	246,376
Use of money and property	552,150	7,332	48,230	-	35,778	643,490
Licenses and permits	191,899	-	-	-	-	191,899
Fines and forfeitures	292,993	-	3,415	-	-	296,408
Sale of property and compensation for loss	229,345	12,307	-	100,000	5,612	347,264
Miscellaneous local sources	64,942	9,458	-	332,260	29,224	435,884
Interfund revenue	1,799,484	110,000	-	-	122,588	2,032,072
State sources	5,996,150	-	-	678,675	-	6,674,825
Federal sources	450,284	-	780,732	2,704,863	1,632	3,937,511
Total Revenues	32,794,814	6,478,226	1,103,609	3,815,798	4,426,100	48,618,547
EXPENDITURES						
General government support	3,323,518	186,696	-	9,777	83,123	3,603,114
Public safety	12,143,435	-	-	97,347	25,911	12,266,693
Transportation	1,091,161	-	-	78,145	-	1,169,306
Economic assistance and opportunity	50,000	-	-	-	-	50,000
Culture and recreation	1,181,140	-	-	-	-	1,181,140
Home and community services	637,601	3,536,523	685,415	105,337	3,321,977	8,286,853
Employee benefits	8,662,210	760,851	-	-	892,764	10,315,825

CITY OF AUBURN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Funds Sewer Fund	Special Grant Fund	Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
EXPENDITURES (Continued)						
Debt service:						
Debt principal - Serial bonds and other long-term debt	\$ 1,596,547	\$ 2,298,243	\$ 170,000	\$ -	\$ 560,849	\$ 4,625,639
Debt principal - Bond anticipation notes	1,068,196	33,800	-	-	172,945	1,274,941
Debt interest	478,105	417,304	13,979	-	257,906	1,167,294
Capital outlay	381,301	122,812	39,047	8,177,202	121,566	8,841,928
Total Expenditures	<u>30,613,214</u>	<u>7,356,229</u>	<u>908,441</u>	<u>8,467,808</u>	<u>5,437,041</u>	<u>52,782,733</u>
Excess of Revenue (Expenditures)	<u>2,181,600</u>	<u>(878,003)</u>	<u>195,168</u>	<u>(4,652,010)</u>	<u>(1,010,941)</u>	<u>(4,164,186)</u>
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	720	162,068	-	631,122	1,258,944	2,052,854
Interfund transfers out	(2,112,977)	-	-	(623,819)	-	(2,736,796)
Bond anticipation notes redeemed from appropriations	-	-	-	1,274,941	-	1,274,941
Proceeds from long-term debt	-	-	-	4,543,235	-	4,543,235
Total Other Financing (Uses) Sources	<u>(2,112,257)</u>	<u>162,068</u>	<u>-</u>	<u>5,825,479</u>	<u>1,258,944</u>	<u>5,134,234</u>
Net Changes in Fund Balances	69,343	(715,935)	195,168	1,173,469	248,003	970,048
Fund Balances - Beginning of Year as restated	<u>5,737,907</u>	<u>1,476,820</u>	<u>2,799,512</u>	<u>(20,889,973)</u>	<u>1,817,086</u>	<u>(9,058,648)</u>
Fund Balances - End of Year	<u>\$ 5,807,250</u>	<u>\$ 760,885</u>	<u>\$ 2,994,680</u>	<u>\$ (19,716,504)</u>	<u>\$ 2,065,089</u>	<u>\$ (8,088,600)</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, 2016

Net change in fund balances of governmental funds \$ 970,048

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	\$ 8,841,928	
Depreciation	<u>(4,998,625)</u>	3,843,303

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (125,325)

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	\$ (4,314,909)	
Repayment of debt	<u>4,625,639</u>	310,730

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	\$ 7,869	
Employees' retirement system note payable	817,588	
Compensated absences	48,974	
Self insurance liability	216,381	
Other postemployment benefits	(1,945,695)	
Claims and judgments	<u>(115,699)</u>	(970,582)

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	\$ 12,361,641	
Net pension liability - proportionate share	(12,564,357)	
Deferred inflows, pensions	<u>(2,524,681)</u>	(2,727,397)

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. This is the difference between the proceeds and the loss is the net book value of capital asset disposals and adjustments: (515,240)

Change in Net Position of Governmental Activities \$ 785,537

CITY OF AUBURN

STATEMENT OF NET POSITION - PROPRIETARY FUNDS JUNE 30, 2016

	Business-type Activities		
	Enterprise Funds		
	Power Utility Fund	Solid Waste Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents, unrestricted	\$ 154,486	\$ 4,493,073	\$ 4,647,559
Cash and cash equivalents, restricted	2,881,575	-	2,881,575
Accounts receivable, net	2,575	332,504	335,079
Due from other funds	638,630	76,283	714,913
Due from other governments	232,191	-	232,191
Total Current Assets	3,909,457	4,901,860	8,811,317
Noncurrent assets:			
Capital assets, non-depreciable	1,099,195	319,387	1,418,582
Depreciable capital assets, net	9,846,196	4,087,605	13,933,801
Total Noncurrent Assets	10,945,391	4,406,992	15,352,383
Total Assets	14,854,848	9,308,852	24,163,700
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	17,661	307,584	325,245
Total Deferred Outflows of Resources	17,661	307,584	325,245
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 321,504	\$ 592,535	\$ 914,039
Accrued payroll	1,020	17,394	18,414
Due to other funds	1,083,377	141,140	1,224,517
Due to employees' retirement system	1,207	21,020	22,227
Bonds payable	373,363	838,304	1,211,667
Note payable	-	1,274	1,274
Compensated absences	204	2,899	3,103
Employees' retirement system note payable	-	5,169	5,169
Landfill post closure liability	-	263,200	263,200
Bond Anticipation Notes payable	3,771,700	-	3,771,700
Bond interest payable	32,168	9,462	41,630
Total Current Liabilities	5,584,543	1,892,397	7,476,940
Non-current Liabilities:			
Net pension liability - proportionate share	19,135	333,267	352,402
Bonds payable	9,322,629	2,996,694	12,319,323
Note payable	-	14,214	14,214
Compensated absences	3,871	55,076	58,947
Employees' retirement system note payable	-	43,565	43,565
Landfill post closure liability	-	3,858,470	3,858,470
Total Non-Current Liabilities	9,345,635	7,301,286	16,646,921
Total Liabilities	14,930,178	9,193,683	24,123,861
DEFERRED INFLOWS OF RESOURCES			
Pensions	2,519	43,876	46,395
Total Deferred Inflows of Resources	2,519	43,876	46,395
NET POSITION			
Net investment in capital assets	359,274	556,506	915,780
Unrestricted (deficit)	(419,462)	(177,629)	(597,091)
Total Net Position (Deficit)	\$ (60,188)	\$ 378,877	\$ 318,689

CITY OF AUBURN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities		
	Enterprise Funds		
	Power Utility Fund	Solid Waste Fund	Total
REVENUES			
Charges for services	\$ 496,177	\$ 2,914,021	\$ 3,410,198
Other operating revenue	262,645	12,162	274,807
Total Operating Revenues	<u>758,822</u>	<u>2,926,183</u>	<u>3,685,005</u>
OPERATING EXPENSES			
Salaries and wages	38,234	505,121	543,355
Contractual services	828,088	631,352	1,459,440
Employee benefits	22,554	323,708	346,262
Depreciation and amortization	284,804	912,517	1,197,321
Total Operating Expenses	<u>1,173,680</u>	<u>2,372,698</u>	<u>3,546,378</u>
(Loss) Income from operations	<u>(414,858)</u>	<u>553,485</u>	<u>138,627</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	60,617	12,761	73,378
Interest expense	(251,249)	(131,296)	(382,545)
Total Non-Operating Expenses	<u>(190,632)</u>	<u>(118,535)</u>	<u>(309,167)</u>
Net income (loss) before transfers	(605,490)	434,950	(170,540)
Interfund transfers in	<u>683,942</u>	<u>-</u>	<u>683,942</u>
Net increase in net position	78,452	434,950	513,402
Net (Deficit) - Beginning of Year	<u>(138,640)</u>	<u>(56,073)</u>	<u>(194,713)</u>
Net Position (Deficit) - End of Year	<u><u>\$ (60,188)</u></u>	<u><u>\$ 378,877</u></u>	<u><u>\$ 318,689</u></u>

CITY OF AUBURN

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities		
	Enterprise Funds		Total
	Power Utility Fund	Solid Waste Fund	
Cash Flows from Operating Activities:			
Cash received from providing services	\$ 501,200	\$ 2,841,750	\$ 3,342,950
Cash received from other funds and other sources	30,454	12,162	42,616
Cash payments - employees	(37,214)	(504,465)	(541,679)
Cash payments - employee benefits	(13,279)	(293,250)	(306,529)
Cash payments - suppliers	(645,665)	(518,424)	(1,164,089)
Net Cash (Used) Provided by Operating Activities	(164,504)	1,537,773	1,373,269
Cash Flows from Non-Capital and Financing Activities:			
Transfers from other funds	1,064,609	72,071	1,136,680
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond Anticipation Notes	3,771,700	-	3,771,700
Proceeds from bonds	8,700,000	-	8,700,000
Payments of Bond Anticipation Notes	(11,237,400)	-	(11,237,400)
Payments on bonds and notes	(522,509)	(808,326)	(1,330,835)
Interest expense	(223,510)	(139,217)	(362,727)
Purchase of capital assets	(994,747)	(556,078)	(1,550,825)
Net Cash Provided (Used) by Capital and Related Financing Activities	(506,466)	(1,503,621)	(2,010,087)
Cash Flows from Investing Activities:			
Interest income	60,617	12,761	73,378
Net Increase in Cash and Cash Equivalents	454,256	118,984	573,240
Cash and Cash Equivalents - Beginning of Year	2,581,805	4,374,089	6,955,894
Cash and Cash Equivalents - End of Year	\$ 3,036,061	\$ 4,493,073	\$ 7,529,134
Reconciliation of Income from Operations to Net Cash (Used) Provided by Operating Activities:			
(Loss) income from operations	\$ (414,858)	\$ 553,485	\$ 138,627
Depreciation and amortization	284,804	912,517	1,197,321
Change in assets and liabilities:			
Accounts receivable	5,023	(72,271)	(67,248)
Due from other governments	(232,191)		(232,191)
Accounts payable and accrued liabilities	182,423	533,700	716,123
Accrued payroll and compensated absences	5,095	5,718	10,813
Due to employees' retirement system	-	12,421	12,421
Employees' retirement system note payable	1,207	(23,460)	(22,253)
Landfill post closure liability	-	(420,772)	(420,772)
Net pension liability - proportionate share and related deferred inflows and outflows	3,993	36,435	40,428
Net Cash (Used) Provided by Operating Activities	\$ (164,504)	\$ 1,537,773	\$ 1,373,269
Reconciliation of Total Cash and Cash Equivalents:			
Current assets - unrestricted cash and cash equivalents	\$ 154,486	\$ 4,493,073	\$ 4,647,559
Non-current assets - restricted cash and cash equivalents	2,881,575	-	2,881,575
Total Cash and Cash Equivalents	\$ 3,036,061	\$ 4,493,073	\$ 7,529,134

CITY OF AUBURN

STATEMENT OF NET POSITION - FIDUCIARY FUNDS JUNE 30, 2016

ASSETS

Cash and cash equivalents, unrestricted	\$ <u><u>37,579</u></u>
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LIABILITIES

Total liabilities	\$ <u><u>37,579</u></u>
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CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***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.

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.

Related Organizations

Related organizations include the Auburn Local Development Corporation.

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

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

Discretely Presented Component Units

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

- **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, 2015. 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, as each lessee can purchase the facility at the end of the lease for a nominal amount. Each asset's property lease is offset by a liability bond payable as shown on the Statement of Net Position. AIDA acts as an intermediary between the lessee, making the principal payments, and the bondholder, receiving the principal payments. AIDA does not receive or pay these monies directly.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

- **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, 2016. Copies of the Authority’s financial statements can be obtained by writing to the Auburn Housing Authority, Auburn, NY 13021.

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.

Government-wide Financial 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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Government-wide Financial Statements - Continued

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."

Fund Financial Statements

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

Major Governmental Funds

- General Fund - 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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Major Governmental Funds - Continued

- 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.

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.
- Police Seizure Fund - Used to account for equitable sharing payments returned to the City from the federal government when the City has joint involvement with the DEA or another federal agency in seizing illegal assets.
- Permanent Fund - Used to account for assets donated for cemetery maintenance.

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 are 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, private haulers, and the general public.

Fiduciary Fund Types

Fiduciary Fund Types - Used to account for assets held by the City either in a trust or through a custodial capacity. The following are the City's fiduciary funds:

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

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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 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.

- **Accrual Basis** - The Government-wide financial statements, Proprietary Fund financial statements, and Fiduciary 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.
- **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.

Interfund Activity

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

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Revenues

Substantially all governmental fund revenues are accrued.

Property Taxes

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

Property tax revenues are recognized as revenues in the year they are levied and collected, as long as they are collected within 60 days subsequent to year end. Property taxes not collected within 60 days subsequent to year end are reported as deferred 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 \$1,328,310 at June 30, 2016. 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 \$568,911 at June 30, 2016. 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.

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 sales tax collected outside the City.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

State Sources

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, 2015 through March 31, 2016 (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.

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 paid on a reimbursement basis for which the City has to first incur allowable costs under the applicable program to be reimbursed by the State. Grant monies received in advance of meeting eligibility requirements are recorded as unearned revenue by the City until such eligibility requirements are met. State grants (NYSDOT grants) are subject to the State single audit act requirements and to audit by the State for compliance with grant requirements.

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 single audit act requirements and to audit by the appropriate Federal agency for compliance with grant requirements.

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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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.

Cash and Cash Equivalents

For financial statement purposes, cash on hand, demand deposits, and all highly liquid investments of three months or less are considered as cash equivalents. The Statement of Cash Flows - Proprietary Funds, presented on page 24, uses the direct method of reporting cash flows.

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, mortgage assistance, and small business loans receivable, net of an allowance for uncollectible amounts of \$735,494.

Investments

Investments are stated at fair value.

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

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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.

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.

Compensatory Absences

Full-time, permanent employees are granted vacation and sick leave benefits and earn compensatory absences in varying amounts to specified maximums, depending on tenure with the City. Except in the event of retirement or termination, an employee is paid for these benefits as used. These benefits are budgeted annually as part of salary or overtime, and are accounted for on a pay-as-you-go basis.

In the event of retirement or termination, an employee is entitled to payment for accumulated vacation and compensatory time not used. Generally, vacations must be taken in the calendar year following the calendar year in which they were earned.

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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Other Postemployment Benefits

In addition to pension benefits described in Note 8, the City provides other postemployment benefits for health insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and New York State General Municipal Law (GML Section 207(a) and Section 2017(c)). 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 \$770,418 were incurred for post-retirement health care benefits for 252 participants eligible through June 30, 2016. An additional \$35,526 was paid to an eligible, retired firefighter under GML Section 207(a) and Section 2017(c). These costs are reported as employee benefits in the funds.

Deferred Outflows/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.

Equity Classifications - Government-wide Financial 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.
- Unrestricted Net Position - Consists of all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Equity Classifications - Governmental Fund Financial Statements - Continued

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 \$9,336.
- **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.

Amounts restricted consist of unexpended debt proceeds. Restricted funds were as follows at June 30, 2016:

Restricted for debt:

General Fund	\$ 433,811
Sewer Fund	46,916
Water Fund	143,158
Total Governmental Funds	\$ <u>623,885</u>

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

Amounts committed consist of internally established reserves to mitigate uncertainties in expenditures. Committed funds were as follows at June 30, 2016:

General Fund:

Retirees Health Insurance	\$ 600,000
Workers Compensation Claims	400,000
Equipment	187,830
Falcon Park	12,740
Total General Fund	\$ <u>1,200,570</u>

Sewer Fund:

Equipment reserve	\$ 773
Total Sewer Fund	\$ <u>773</u>

Other Governmental Funds:

Reserve for meter replacement	32,357
Equipment reserve	1,852
Total Other Governmental Funds	\$ <u>34,209</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Governmental Fund Financial Statements - Continued

- 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, 2016:

	Reserve for	Remaining	
	Encumbrances	Fund Balance	Total
General Fund	\$ 65,058	\$ -	65,058
Sewer Fund	50,810	662,386	713,196
Special Grant Fund	48,124	2,946,556	2,994,680
Other Governmental Funds	42,452	1,835,934	1,878,386

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 available for general use by the City.

Order of Use of Fund Balance

The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first, followed by the determination of restricted fund balances for specific purposes. 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. Remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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 interest earnings each fiscal year.

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 with the money market account operating as the original principal amount.

Future Changes in Accounting Standards

- GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ending June 30, 2017.
- 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." Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans," establishes new accounting and financial reporting requirements for OPEB plans.
- GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ending June 30, 2017.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Future Changes in Accounting Standards - Continued

- GASB has issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” effective for the year ending June 30, 2017.
- GASB has issued Statement No. 80, “Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14,” effective for the year ending June 30, 2017.
- GASB has issued Statement No. 81, “Irrevocable Split-Interest Agreements,” effective for the year ending June 30, 2017.
- GASB has issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,” effective for the year ending June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

The City will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* Cash 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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 2* Cash and Investments - Continued**

The written investment policy requires repurchase agreements be purchased from banks located within the State and 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.

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 \$26,972,506, consisting of \$18,928,416 in cash and \$8,044,090 in investments, 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, 2015, of \$435,564 and for the discretely presented component unit, Auburn Housing Authority at March 31, 2016 of \$1,158,293 are either insured or collateralized with securities held by the pledging financial institution.

***Note 3* Restricted Cash**

Restricted cash and cash equivalents, reported in the government-wide Statement of Net Position, consists of \$5,197,675 of unspent debt proceeds to be used for the acquisition, construction, or renovation of capital assets, \$418,344 of cash and cash equivalents which is required collateral for the City's health insurance policy, and \$623,885 reserved for debt.

As of June 30, 2016, restricted cash and cash equivalents consisted of:

Restricted Cash	
General governmental support	\$ 1,412,221
Transportation	1,750,001
Culture and recreation	3,522
Home and community services	<u>3,074,160</u>
Total	<u>\$ 6,239,904</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 3 Restricted Cash - Continued

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

	Federal Low Rent	DHCR	Section 8 Housing Choice
State Reserves - Investments	\$ -	\$ 237,630	\$ -
State Reserves - Cash	-	995,222	-
Security Deposits	20,488	61,398	-
Other	-	-	11,411
Total	\$ 20,488	\$ 1,294,250	\$ 11,411

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.

A summary of investments as of June 30, 2016 follows:

	Cost	Unrealized Gain (Loss)	Market Value
Unrestricted:			
Certificates of Deposit	\$ 7,926,469	\$ 100,124	\$ 8,026,593
CLASS investments	8,175	-	8,175
Restricted:			
Permanent Fund	9,322	-	9,322
Total	\$ 7,943,966	\$ 100,124	\$ 8,044,090

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 4* Investments - Continued**

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, 2016 follows:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Market Value</u>
Unrestricted:			
Certificates of deposit	\$ 1,411,682	\$ 1,384	\$ 1,413,066
Investment - Housing Authority risk retention group	<u>22,201</u>	<u>-</u>	<u>22,201</u>
Total	<u>1,433,883</u>	<u>1,384</u>	<u>1,435,267</u>
Restricted - United States Treasury Bills	<u>232,206</u>	<u>5,424</u>	<u>237,630</u>
Total	<u>\$ 1,666,089</u>	<u>\$ 6,808</u>	<u>\$ 1,672,897</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 5* Other Receivables**

Other receivables consist of the following as of June 30, 2016:

General Fund:		
Franchise and Subway receivables	\$	116,889
Medicare subsidy		63,788
Other receivables		14,290
Special Revenue Fund - Sewer Fund:		
Sewer rents receivable		1,613,235
Septage treatment receivable		63,129
Capital Projects Fund:		
Sidewalk Revolving Loan Fund		286,470
Water Lateral Revolving Loan Fund		329,134
Sewer Lateral Revolving Loan Fund		214,753
Other Governmental Funds:		
Water rents receivable		1,076,986
Refuse collection fees		3,515
		<hr/>
Total Governmental Funds	\$	<u>3,782,189</u>
Power Utility Fund:		
Accounts receivable	\$	2,575
Solid Waste Fund:		
Accounts receivable		348,849
Allowance for uncollectible receivables		(16,345)
		<hr/>
Total Enterprise Funds	\$	<u>335,079</u>

***Note 6* Property Taxes**

At June 30, 2016, the total real property tax receivable of \$4,945,759 is offset by an allowance for uncollectible taxes of \$1,005,480. The remaining portion of taxes receivable is offset by deferred inflow of resources of \$3,532,412 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 2016 real property tax levy for City purposes totaled \$12,407,529. 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, 2016 was \$19,249,843, leaving a margin of \$10,221,314 after \$3,379,000 of exclusions.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 7 Capital Assets

A summary of changes in capital assets at June 30, 2016 follows:

Governmental Activities	June 30, 2015	Additions	Disposals	Reclassifi- cations	June 30, 2016
Non-depreciable capital assets:					
Land	\$ 4,252,631	\$ -	\$ -	\$ -	\$ 4,252,631
Construction in progress	22,186,201	7,401,234	(355,611)	(13,287,287)	15,944,537
Total Non-depreciable Capital Assets	<u>26,438,832</u>	<u>7,401,234</u>	<u>(355,611)</u>	<u>(13,287,287)</u>	<u>20,197,168</u>
Depreciable capital assets:					
Buildings and improvements	40,510,080	28,947	-	2,590,877	43,129,904
Machinery and equipment	38,810,017	1,191,096	(529,269)	1,082,599	40,554,443
Infrastructure	107,822,302	220,651	(18,980)	9,613,811	117,637,784
Total Depreciable Capital Assets	<u>187,142,399</u>	<u>1,440,694</u>	<u>(548,249)</u>	<u>13,287,287</u>	<u>201,322,131</u>
Total Historical Cost	<u>213,581,231</u>	<u>8,841,928</u>	<u>(903,860)</u>	<u>-</u>	<u>221,519,299</u>
Less accumulated depreciation:					
Buildings and improvements	(16,026,057)	(837,685)	-	-	(16,863,742)
Machinery and equipment	(26,148,090)	(1,699,800)	388,620	-	(27,459,270)
Infrastructure	(38,601,375)	(2,461,140)	-	-	(41,062,515)
Total Accumulated Depreciation	<u>(80,775,522)</u>	<u>(4,998,625)</u>	<u>388,620</u>	<u>-</u>	<u>(85,385,527)</u>
Governmental Activities Capital Assets, Net	<u>\$ 132,805,709</u>	<u>\$ 3,843,303</u>	<u>\$ (515,240)</u>	<u>\$ -</u>	<u>\$ 136,133,772</u>
Business-Type Activities					
Non-depreciable capital assets:					
Land	\$ 420,187	\$ -	\$ -	\$ -	\$ 420,187
Construction in progress	4,760	993,635	-	-	998,395
Total Non-depreciable Capital Assets	<u>424,947</u>	<u>993,635</u>	<u>-</u>	<u>(3,822,537)</u>	<u>1,418,582</u>
Depreciable capital assets:					
Buildings and improvements	32,092,041	-	-	(4,083,921)	28,008,120
Machinery and equipment	4,230,313	20,914	(4,137)	-	4,247,090
Infrastructure	4,471	536,275	-	4,083,921	4,624,667
Total Depreciable Capital Assets	<u>36,326,825</u>	<u>557,189</u>	<u>(4,137)</u>	<u>-</u>	<u>36,879,877</u>
Total Historical Cost	<u>36,751,772</u>	<u>1,550,824</u>	<u>(4,137)</u>	<u>-</u>	<u>38,298,459</u>
Less accumulated depreciation:					
Buildings and improvements	(19,453,284)	(874,000)	-	(26,724)	(20,300,560)
Machinery and equipment	(2,298,896)	(221,120)	4,137	(2,682)	(2,513,197)
Infrastructure	(713)	(102,200)	-	29,406	(132,319)
Total accumulated depreciation	<u>(21,752,893)</u>	<u>(1,197,320)</u>	<u>4,137</u>	<u>-</u>	<u>(22,946,076)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,998,879</u>	<u>\$ 353,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,352,383</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 7 Capital Assets - Continued

Depreciation expense was charged to the functions as follows:

Governmental Activities	
General governmental support	\$ 151,200
Public safety	496,930
Transportation	1,582,629
Culture and recreation	136,079
Home and community services	<u>2,631,787</u>
Total	\$ <u>4,998,625</u>
Business-type Activities	
Power utility	284,803
Solid waste	<u>912,517</u>
Total	\$ <u>1,197,320</u>

A summary of changes in the Auburn Housing Authority's capital assets is as follows:

<u>Type</u>	<u>Balance at 03/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 03/31/16</u>
Non-depreciable Capital Assets:				
Land	\$ 276,622	\$ -	\$ -	\$ 276,622
Total Non-depreciable Capital Assets	<u>276,622</u>	<u>-</u>	<u>-</u>	<u>276,622</u>
Depreciable Capital Assets:				
Buildings and improvements	12,169,056	255,869		12,424,925
Equipment and furniture	<u>826,667</u>	<u>684</u>	<u>(35,470)</u>	<u>791,881</u>
Total Depreciable Capital Assets	<u>12,995,723</u>	<u>256,553</u>	<u>(35,470)</u>	<u>13,216,806</u>
Total Capital Assets	<u>13,272,345</u>	<u>256,553</u>	<u>(35,470)</u>	<u>13,493,428</u>
Less accumulated depreciation	<u>(6,901,622)</u>	<u>(351,575)</u>	<u>35,470</u>	<u>(7,217,727)</u>
Auburn Housing Authority Capital Assets, Net	\$ <u>6,370,723</u>	\$ <u>(95,022)</u>	\$ <u>-</u>	\$ <u>6,275,701</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 7* Capital Assets - Continued**

A summary of changes in the Auburn Industrial Development Authority's capital assets is as follows:

Type	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Non-depreciable Capital Assets:				
Land	\$ 255,410	\$ -	\$ -	\$ 255,410
Total Non-depreciable Capital Assets	255,410	-	-	255,410
Depreciable Capital Assets:				
Equipment	35,458	-	-	35,458
Total Depreciable Capital Assets	35,458	-	-	35,458
Less accumulated depreciation	(35,458)	-	-	(35,458)
Auburn Industrial Development Authority Capital Assets, Net	\$ 255,410	\$ -	\$ -	\$ 255,410

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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.

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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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:

	<u>City - ERS</u>	<u>City - PFRS</u>	<u>AHA - ERS</u>
2016	\$ 1,448,060	\$ 2,191,612	\$ 100,878
2015	1,227,692	2,672,150	105,949
2014	1,048,243	2,052,700	106,015

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

At June 30, 2016, 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, 2016. 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 Systems.

	<u>ERS</u>	<u>PFRS</u>
Actuarial valuation date	04/01/2015	04/01/2015
Net pension liability	\$ 16,050,279,000	\$ 2,960,787,000
Auburn Housing Authority's portion of the Plan's total net pension liability	73,101	-
City's portion of the Plan's total net pension liability	4,712,537	10,010,355

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,663,475 for ERS and \$3,576,427 for PFRS in the Government-wide financial statements. At June 30, 2016 the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>City-ERS</u>	<u>AHA-ERS</u>	<u>PFRS</u>	<u>City-ERS</u>	<u>AHA-ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 23,814	\$ 2,813	\$ 89,784	\$ 558,593		\$ 1,513,445
Changes of assumptions	1,256,692		4,315,431			
Net differences between projected and actual earnings on pension plan investments	2,795,736	15,260	5,609,994			
Changes in proportion and differences between the City's contributions and proportionate share of contributions			20,246	61,834	13,009	542,389
City's contributions subsequent to the measurement date	<u>273,123</u>	<u>85,894</u>	<u>595,439</u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,349,365</u>	<u>\$ 103,967</u>	<u>\$ 10,630,894</u>	<u>\$ 620,427</u>	<u>\$ 13,009</u>	<u>\$ 2,055,834</u>

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:

<u>Year Ended</u>	<u>City-ERS</u>	<u>AHA-ERS</u>	<u>PFRS</u>
2017	\$ 872,100	\$ 1,266	\$ 1,898,960
2018	872,100	1,266	1,898,960
2019	872,100	1,266	1,898,960
2020	839,515	1,266	1,820,848
2021	-	-	461,892
Thereafter	-	-	-

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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, 2016	March 31, 2016
Actuarial valuation date	April 1, 2015	April 1, 2015
Interest rate	7.0%	7.0%
Salary scale	5.1%	5.8%
	April 1, 2005- March 31, 2015	April 1, 2005- March 31, 2015
	System's	System's
Decrement tables	Experience	Experience
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2015.

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 target asset allocation percentage and by adding expected inflation.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>ERS and PFRS</u>
Measurement date	March 31, 2016
Asset Type:	
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%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
City's proportionate share of the net pension (asset) liability	\$ 10,626,432	\$ 4,712,538	\$ (284,449)
Auburn Housing Authority's proportionate share of the net pension (asset) liability	585,637	87,862	(332,384)
PFRS			
City's proportionate share of the net pension (asset) liability	\$ 22,359,180	\$ 10,010,355	\$ (340,637)

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:

	Dollars in Thousands	
	ERS	PFRS
Measurement date	March 31, 2016	March 31, 2016
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727
Plan net position	(156,253,265)	(27,386,940)
Employers' net pension liability	\$ 16,050,279	\$ 2,960,787
Ratio of Plan Net Position to the Employers' Total Pension Liability	90.7%	90.2%

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Payables to the Pension Plans

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2016 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$973,219.

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended June 30, 2016 resulted in the following effect on net position:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
ERS:			
Net pension liability	\$ (920,172)	\$ (3,439,963)	\$ (4,360,135)
Deferred outflows of resources	579,818	3,444,303	4,024,121
Deferred inflows of resources	(68,166)	(505,866)	(574,032)
Subtotal	<u>(408,521)</u>	<u>(501,526)</u>	<u>(910,046)</u>
PFRS:			
Net pension liability	(885,961)	(9,124,394)	(10,010,355)
Deferred outflows of resources	1,713,555	8,917,338	10,630,893
Deferred inflows of resources	(37,019)	(2,018,815)	(2,055,834)
Subtotal	<u>790,575</u>	<u>(2,225,871)</u>	<u>(1,435,296)</u>
Total Effect on Net Position	\$ <u>382,054</u>	\$ <u>(2,727,397)</u>	\$ <u>(2,345,341)</u>
 <u>Business-type Activities</u>	 <u>Beginning Balance</u>	 <u>Change</u>	 <u>Ending Balance</u>
ERS:			
Net pension liability	\$ (74,609)	\$ (277,794)	\$ (352,402)
Deferred outflows of resources	47,012	325,244	325,244
Deferred inflows of resources	(5,527)	(46,395)	(46,395)
Total Effect on Net Position	\$ <u>(33,123)</u>	\$ <u>(40,430)</u>	\$ <u>(73,553)</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 9 Short-term Debt

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

At June 30, 2016, the City had outstanding BANs of \$29,639,066, 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>
EFC Financing	Various	07/07/2016	0.00%	\$ 1,743,926
General obligation	03/01/2016	07/06/2016	1.00%	6,320,800
General obligation	05/27/2016	05/27/2017	1.50%	<u>21,574,340</u>
Total Bond Anticipation Notes				<u>\$ 29,639,066</u>
	<u>June 30, 2015</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>June 30, 2016</u>
Governmental activities:				
Capital project funds	\$ 27,226,448	\$ 25,867,366	\$ (27,226,448)	<u>\$ 25,867,366</u>
Business-type activities:				
Solid-Waste Fund	-	3,771,700	-	3,771,700
Power utility fund	<u>11,237,400</u>	-	<u>(11,237,400)</u>	-
Total Business-Type Activities	<u>11,237,400</u>	<u>3,771,700</u>	<u>(11,237,400)</u>	<u>3,771,700</u>
Total Bond Anticipation Notes	<u>\$ 38,463,848</u>	<u>\$ 29,639,066</u>	<u>\$ (38,463,848)</u>	<u>\$ 29,639,066</u>

Interest on BANs, net of premium received, in the governmental activities and business-type activities approximated \$313,794 and \$140,394, respectively, for the year ended June 30, 2016.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 10* Lease Commitments**

Capital Leases

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

	June 30, 2015	Additions	Payments	June 30, 2016
Fire truck	\$ 404,821	\$ -	\$ (50,944)	\$ 353,877
Camera	16,241	-	(16,241)	-
Total	\$ 421,062	\$ -	\$ (64,719)	\$ 353,877

The present value of capital leases is:

Year Ending June 30,	
2017	\$ 67,946
2018	67,946
2019	67,946
2020	67,946
2021	67,946
2022	67,946
	<u>407,676</u>
Less amount representing interest	<u>(53,799)</u>
Present value of future minimum lease payments	<u>\$ 353,877</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. The capital leases were entered into on July 1, 2006, and January 16, 2013 respectively in the amount of \$809,160, with interest rates of 4.2% and 2.612%, respectively and maturity dates of July 31, 2021, and January 28, 2016, respectively. Net book value of assets associated with the leases was \$57,307 at June 30, 2016.

Operating Leases

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

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 11* Long-term Debt**

At June 30, 2016, 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 \$116,860,833. Of this amount approximately \$45 million is subject to the constitutional debt limit and represented 65% of its debt limit.

Serial Bonds

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

Compensated Absences

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

Claims and Judgments

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

Self-Insurance Liability

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

HUD Section 108 Note

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

Due to Employees' Retirement System

Represents the portion of the liability to the various state retirement systems. The City's General, Solid Waste, Water, and Sewer Funds liquidate this liability. During the current year end, the City paid an additional \$750,000 payment on the PFRS amortized amount.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 11 Long-term Debt - Continued

Changes in Indebtedness

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

		New Issues/ Additions	Maturities/ Payments		Amount Due Within One Year
Governmental Activities	June 30, 2015			June 30, 2016	
General obligation bonds	\$ 31,735,917	\$ 4,314,909	\$ 3,949,765	\$ 32,101,061	\$ 4,160,521
HUD Section 108 note payable	399,000	-	170,000	229,000	180,000
Other Long-Term Liabilities:					
Energy performance contract	5,740,794	-	438,689	5,302,105	452,956
Due to NYS retirement systems	1,706,292	-	817,588	888,704	92,197
Lease obligations payable	421,062	-	67,185	353,877	53,084
Other postemployment benefits	10,364,280	3,938,459	1,992,764	12,309,975	3,938,459
Judgments and claims payable	1,023,948	410,303	294,604	1,139,647	1,139,647
Compensated absences	1,740,913	1,691,939	1,740,913	1,691,939	84,597
Self-insurance liability	920,016	55,154	271,535	703,635	33,892
Total Other Long-Term Liabilities	21,917,305	6,095,855	5,623,278	22,389,882	5,794,832
Total Indebtedness	\$ 54,052,222	\$ 10,410,764	\$ 9,743,043	\$ 54,719,943	\$ 10,135,353
Business-Type Activities					
Total General Obligation Bonds	\$ 6,161,104	\$ 8,700,000	\$ 1,330,114	\$ 13,530,990	\$ 1,211,667
Other Long-Term Liabilities:					
Employee retirement systems note	72,194	-	23,460	48,734	5,169
Landfill post closure liability	4,542,442	-	420,772	4,121,670	263,200
Energy performance contract	16,209	-	721	15,488	1,274
Compensated absences	52,913	62,050	52,913	61,846	2,899
Total Indebtedness	\$ 10,844,862	\$ 8,762,050	\$ 1,827,980	\$ 17,778,932	\$ 1,811,213

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 11 Long-term Debt - Continued

Debt Maturity Schedules

The following is a summary of bonds outstanding at June 30, 2016 with corresponding maturity schedules:

<u>Bonds Payable</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>
Public Improvement	04/12/01	03/01/17	0.00%	\$ 130,260
Sewer Refunding	06/20/02	11/15/24	1.326%-1.632%	470,000
Sewer Refunding	06/20/02	05/15/24	1.414%-1.941%	14,620,000
NYS EFC	03/13/03	04/15/17	.801%-2.137%	130,000
Public Improvement	06/01/03	06/01/23	3.25%-4.125%	1,325,000
NYS EFC	07/24/03	01/15/24	.790%-4.500%	1,100,000
Public Improvement	05/15/15	06/15/30	2.5-3.25%	2,230,000
Public Improvement	06/01/08	06/01/17	3.625%	330,000
Public Improvement	10/05/12	06/01/23	1.25%-2.375%	1,400,000
NYPA Energy Conservation	03/01/09	03/01/29	1.92%	2,736,882
Public Improvement	06/01/11	06/01/18	3.0%	1,890,000
Public Improvement	05/24/14	05/15/24	1.5%-2.5%	860,000
Public Improvement	06/23/15	06/01/26	2.0%-5.0%	1,400,000
NYS EFC	09/01/15	05/26/45	0.00%	522,316
CREB Issuance	08/27/15	03/01/38	1.0%-4.75%	8,300,000
Public Improvement	05/27/16	05/15/31	2.0%-2.5%	3,777,593
Public Improvement	06/29/16	06/01/23	2.0%-4.0%	<u>4,410,000</u>

Total General Obligation Bonds \$ 45,632,051

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>
2017	\$ 4,278,521	\$ 1,240,095	\$ 402,572	\$ 1,211,667	\$ 237,385	\$ 2,827
2018	4,333,302	1,098,248	359,219	1,095,697	217,110	-
2019	4,009,426	940,229	314,787	1,126,300	195,043	-
2020	3,542,402	796,170	268,255	1,150,358	172,038	-
2021	3,465,923	648,018	220,396	1,168,280	147,591	-
2022-2026	11,241,581	899,298	353,165	2,083,688	530,379	-
2027-2031	947,906	20,315	-	2,225,000	387,991	-
2032-2036	93,000	-	-	2,365,000	218,565	-
2037-2041	103,000	-	-	1,105,000	30,554	-
2042-2045	86,000	-	-	-	-	-
Total	\$ <u>32,101,061</u>	\$ <u>5,642,374</u>	\$ <u>1,918,394</u>	\$ <u>13,530,990</u>	\$ <u>2,136,657</u>	\$ <u>2,827</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 11 Long-term Debt - Continued

Debt Maturity Schedules - Continued

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

The following table summarizes the City's future debt service requirements for HUD Section 108 notes for June 30:

Year Ending	Governmental Activities		
	Principal	Interest	Total
2017	\$ 180,000	\$ 6,266	\$ 186,266
2018	49,000	1,117	50,117
Total	\$ 229,000	\$ 7,383	\$ 236,383

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

The following summarizes the City's future debt service requirements for the energy performance contract for June 30:

Year Ending	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 452,956	\$ 154,210	\$ 607,166	\$ 1,274	\$ 434	\$ 1,708
2018	468,225	141,038	609,263	1,317	397	1,714
2019	484,000	127,421	611,421	1,361	359	1,720
2020	500,300	113,345	613,645	1,407	320	1,727
2021	517,139	98,796	615,935	1,454	279	1,733
2022-2026	2,879,485	258,017	3,137,502	8,675	763	9,438
Total	\$ 5,302,105	\$ 892,827	\$ 6,194,932	\$ 15,488	\$ 2,552	\$ 18,040

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 11* Long-term Debt - Continued**

For the year ended June 30, 2016, the City of Auburn, New York recognized interest expense of \$1,159,425, consisting of bond and BAN interest of \$845,631 and \$313,794, respectively, for governmental activities and \$251,249, consisting of bond and BAN interest of \$110,855 and \$140,394, respectively, for business-type activities.

Auburn Industrial Development Authority Bonds Payable

Property Lease and Bond Payable

Each property lease is offset by an equal bond payable. The Authority Acts as an intermediary between the principal receipts from the lessee and the principal payments on the bonds as the Authority does not receive or pay these monies directly.

Note Payable

In conjunction with the purchase of property, the Auburn Industrial Development Agency entered into a debt obligation with the City of Auburn: Note payable with annual payments of \$690, representing interest at 3%, commencing April 2002, with principal of \$23,100 due upon sale of property at 5000 Technology Boulevard, Auburn, collateralized by a mortgage on the property.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	Payable at 12/31/14	Additions	Deletions	Payable at 12/31/15	Amount Due Within One Year
Bonds Payable	\$ 2,176,224	\$ -	\$ 112,055	\$ 2,064,169	\$ 114,963
Notes Payable	23,100			23,100	
Total	\$ 2,199,324	\$ -	\$ 112,055	\$ 2,087,269	\$ 114,963

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 2,330,919	\$ 2,302,604	\$ 720	\$ 2,112,977
Sewer Fund	649,204	1,317,641	162,068	-
Special Grant Fund	-	24,847	-	-
Capital Projects Fund	1,781,129	301,558	631,122	623,819
Water Fund	217,772	583,332	461,031	-
Collection and Refuse Fund	85,261	24,699	797,913	-
Total Governmental Funds	<u>5,064,285</u>	<u>4,554,681</u>	<u>2,052,854</u>	<u>2,736,796</u>
Enterprise Funds:				
Power Utility Fund	638,630	1,083,377	683,942	-
Solid Waste Fund	76,283	141,140	-	-
Total Enterprise Funds	<u>714,913</u>	<u>1,224,517</u>	<u>683,942</u>	<u>-</u>
Total	<u>\$ 5,779,198</u>	<u>\$ 5,779,198</u>	<u>\$ 2,736,796</u>	<u>\$ 2,736,796</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 13* Other Postemployment Benefits**

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

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

The City recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016 the City recognized approximately \$770,418 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, 2015. This valuation was used as the basis for the estimate for other postemployment benefits of \$12,309,975 at June 30, 2016, 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, 2016</u>
Annual required contribution	\$ 3,971,599
Interest on net OPEB obligation	414,571
Adjustment to annual required contribution	<u>(447,711)</u>
Annual OPEB cost	3,938,459
Contributions made	<u>(1,945,695)</u>
Increase in net OPEB obligation	1,945,695
Net OPEB obligation - beginning of year	<u>10,364,280</u>
Net OPEB obligation - end year	<u>\$ 12,309,975</u>

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 13 Other Postemployment Benefits - Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2016 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 3,938,459	\$ 1,945,695	49.4%	\$ 12,309,975
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

Funded Status and Funding Progress - As of June 30, 2016, the Plan was 0% funded. The actuarial accrued liability for benefits was \$57,914,480, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$57,914,480. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$17.5 million, and the ratio of the UAAL to the covered payroll was approximately 330%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 13* Other Postemployment Benefits - Continued**

In the July 1, 2015 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 5.6% increasing to 6.1% in 2016 for medical reduced by decrements to an ultimate rate of 3.8%. 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, 2016 was 25 years.

Auburn Housing Authority

Based on GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" guidelines, an employer with fewer than 200 participants must complete a full actuarial valuation at least triennially. The actuarial valuation of The Auburn Housing Authority was performed as of March 31, 2013 for the actuarial valuation years ended March 31, 2014, 2015, and 2016.

Plan Description

The Auburn Housing Authority provides postemployment health insurance coverage for eligible retirees and dependents. Employee become eligible for benefits based on original hire date, completed years of service and accumulated sick days. There are currently 7 retired employees who have health insurance premiums paid by the Authority. Premiums paid by the Authority for the year ended March 31, 2016 totaled \$37,679.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on 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 benefits costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the year ended March 31, 2016 valuation, the Entry Age Normal Method method was used. The assumptions at March 31, 2016 included an annual healthcare cost trend rate of 5%.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 13 Other Postemployment Benefits - Continued

The following table shows the components of the Auburn Housing Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Auburn Housing Authority's net OPEB obligation:

Annual required contribution	\$ 50,184
Total Annual OPEB Cost (Expense)	50,183
Contributions expected	(37,679)
Increase in OPEB obligation	12,505
Net OPEB Obligation - March 31, 2015	186,352
Net OPEB Obligation - March 31, 2016	\$ 198,857

Auburn Housing Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending March 31, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
03/31/2015	\$ 50,183	75.1%	\$ 198,856
03/31/2014	50,183	75.1%	186,352
03/31/2013	50,183	75.1%	173,848

Funded Status and Funding Progress - As of March 31, 2016, the Plan was 0% funded. The actuarial accrued liability for benefits was \$1,141,808, and the actuarial value of assets was \$-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,141,808. The covered payroll (annual payroll of active employees covered by the Plan) was \$626,284, and the ratio of the UAAL to the covered payroll was approximately 182%.

Note 14 Self Insurance and Contingent Liabilities

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 \$418,344 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 and paid during fiscal year 2016 are included as accounts payable and accrued liabilities.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 14 Self Insurance and Contingent Liabilities - Continued

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 \$703,635 of workers' compensation claims on the Statement of Net Position as self-insurance liability which is expected be paid out over the next 20 years.

Judgments and Claims

As of June 30, 2016, 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.

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	
	2016	2015	2016	2015
Unpaid claims and claim adjustment expenses - beginning of year	\$ 1,023,948	\$ 1,052,983	\$ 920,016	\$ 915,557
Provisions and changes in provisions for claims and claim adjustment expenses:	410,303	556,728	55,154	108,791
Payments on claims and claims adjustment expenses attributable to insured events:	<u>(294,604)</u>	<u>(585,763)</u>	<u>(271,535)</u>	<u>(104,332)</u>
Total Unpaid Claims and Claim Adjustment Expenses - End of Year	<u>\$ 1,139,647</u>	<u>\$ 1,023,948</u>	<u>\$ 703,635</u>	<u>\$ 920,016</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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

The \$4,121,670 reported as landfill closure and post closure care liability at June 30, 2016 represents \$850,746 in anticipated closing costs, and \$3,270,924 million post closure costs of which \$480,000 pertains to the post closure care monitoring for landfill site #1, which was closed September 1992.

The \$850,746 anticipated closing costs for landfill site #2 are based on 51.2% 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 \$1,228,145.

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

The liability for post closure costs is accounted for on an annual basis by appropriation of the necessary funds in the City operating budget.

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

***Note 16* Deferred Compensation**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Employees Benefit Services Corporation (PEBSCO). The City had adopted the changes to its deferred compensation plan 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. 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.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 16* Deferred Compensation - Continued**

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* Stewardship, Compliance, and Accountability**

Deficit Fund Balances

The City's Capital Projects Fund had a deficit fund balance of \$(19,716,504). The Capital Projects fund deficit is expected to be eliminated with permanent financing.

The City's Power Utility had a deficit fund balance of \$(60,188). This deficit fund balance is expected to be eliminated with future income.

***Note 19* Reclassification**

Certain amounts presented for the year ended June 30, 2015 have been reclassified to conform to the current year's presentation.

CITY OF AUBURN

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

***Note 20* Restatement**

During the year, the City recognized a new Police Seizure Fund; as a result beginning fund balance for Non-Major Governmental Funds, government wide, and primary government net position were restated as shown below:

Beginning Fund Balance Non-Major Governmental Funds	\$	1,385,479
Police Seizure Beginning Fund Balance		<u>431,607</u>
Fund Balance Non-Major Governmental Funds, as Restated	\$	<u>1,817,086</u>
Net Position Beginning of Year	\$	77,240,452
Police Seizure Restatement		<u>431,607</u>
Net Position Beginning of Year, as Restated	\$	<u>77,672,059</u>

***Note 21* Subsequent Events**

On July 6, 2016, the city approved issuance of \$6,130,400 of BAN's with an interest rate of 2% to finance various infrastructure projects and purchase of various vehicles.

On July 7, 2016, the City approved issuance of \$2,200,000 of E.F.C. Clean Water statutory installment bonds with an interest rate of 0%. This debt was issued when the necessary expenditure requirements were met for the program.

These notes were used to pay off outstanding BAN's and EFC short term debt.

***Note 22* Commitments**

As of June 30, 2016, the City had outstanding contracts with various vendors for the construction of the following capital projects:

General government	\$	68,141
Public safety		50,413
Transportation		1,634,985
Culture and recreation		16,162
Home and community		<u>2,638,901</u>
	\$	<u>4,408,602</u>

Required Supplementary Information

CITY OF AUBURN

BUDGETARY COMPARISON SCHEDULE GENERAL FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real property taxes	\$ 11,887,153	\$ 11,887,153	\$ 12,050,605	\$ 163,452
Real property tax items	800,000	800,000	852,579	52,579
Nonproperty tax items	9,470,000	9,470,000	9,172,247	(297,753)
Departmental income	758,000	758,000	895,760	137,760
Intergovernmental charges	276,400	276,400	246,376	(30,024)
Use of money and property	155,000	298,839	552,150	253,311
Licenses and permits	165,200	165,200	191,899	26,699
Fines and forfeitures	426,400	426,400	292,993	(133,407)
Sale of property and compensation for loss	170,000	170,000	229,345	59,345
Miscellaneous local sources	35,000	35,000	64,942	29,942
Interfund revenues	1,900,000	1,900,000	1,799,484	(100,516)
State sources	5,872,000	5,964,000	5,996,150	32,150
Federal sources	351,000	351,000	450,284	99,284
Total Revenues	<u>32,266,153</u>	<u>32,501,992</u>	<u>32,794,814</u>	<u>292,822</u>
EXPENDITURES				
General governmental support	3,417,695	3,403,783	3,331,129	(72,654)
Public safety	12,561,393	12,763,783	12,525,090	(238,693)
Transportation	1,273,933	1,261,914	1,107,039	(154,875)
Economic assistance and opportunity	50,000	50,000	50,000	-
Culture and recreation	1,339,369	1,340,682	1,249,566	(91,116)
Home and community services	688,537	710,014	618,743	(91,271)
Employee benefits	9,027,022	9,058,224	8,662,210	(396,014)
Debt service - principal and interest	3,007,000	3,150,839	3,142,848	(7,991)
Total Expenditures	<u>31,364,949</u>	<u>31,739,239</u>	<u>30,686,625</u>	<u>(1,052,614)</u>
Excess of Revenues (Expenditures)	<u>901,204</u>	<u>762,753</u>	<u>2,108,189</u>	<u>1,345,436</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	(1,160,204)	(2,112,977)	(2,112,977)	-
Interfund transfers in	259,000	259,000	720	(258,280)
Total Other Financing Sources	<u>(901,204)</u>	<u>(1,853,977)</u>	<u>(2,112,257)</u>	<u>(258,280)</u>
Prior year encumbrances		138,469		(138,469)
Use of fund balance		952,755		(952,755)
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>(4,068)</u>	<u>\$ (4,068)</u>
Net Change in Encumbrances			73,411	
Net Change in Fund Balance			69,343	
Fund Balances - Beginning of Year			5,737,907	
Fund Balances - End of Year			<u>\$ 5,807,250</u>	

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

CITY OF AUBURN

BUDGETARY COMPARISON SCHEDULE - BUDGETED MAJOR SPECIAL REVENUE FUNDS SEWER FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Departmental income	\$ 7,480,000	\$ 7,480,000	\$ 6,339,129	\$ (1,140,871)
Use of money and property	2,000	2,000	7,332	5,332
Sale of property and compensation for loss	5,000	5,000	12,307	7,307
Miscellaneous local sources	-	-	9,458	9,458
Interfund revenues	110,000	110,000	110,000	-
Total Revenues	<u>7,597,000</u>	<u>7,597,000</u>	<u>6,478,226</u>	<u>(1,118,774)</u>
EXPENDITURES				
General governmental support	231,500	204,900	186,696	(18,204)
Home and community services	3,903,454	3,970,874	3,661,339	(309,535)
Employee benefits	788,154	788,454	760,851	(27,603)
Debt service - principal and interest	2,631,900	2,758,723	2,749,347	(9,376)
Total Expenditures	<u>7,555,008</u>	<u>7,722,951</u>	<u>7,358,233</u>	<u>(364,718)</u>
Excess of Revenues (Expenditures)	<u>41,992</u>	<u>(125,951)</u>	<u>(880,007)</u>	<u>(754,056)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	162,068	162,068	-
Interfund transfers out	(41,992)	(992)	-	992
Total Other Financing (Uses) Sources	<u>(41,992)</u>	<u>161,076</u>	<u>162,068</u>	<u>992</u>
Prior year encumbrances		52,814		
Use of fund balance		<u>(52,814)</u>		
Excess of Revenues and Other Financing Sources over (Expenditures) and Other (Uses)	<u>\$ -</u>	<u>\$ 35,125</u>	<u>(717,939)</u>	<u>\$ (753,064)</u>
Net change in encumbrances			<u>2,004</u>	
Net change in fund balance			<u>(715,935)</u>	
Fund Balance - Beginning of Year			<u>1,476,820</u>	
Fund Balance - End of Year			<u><u>\$ 760,885</u></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, 2016

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)
6/30/2016	July 1, 2015	\$	\$ 57,914,480	\$ 57,914,480	0% \$	17,541,634	330%
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, 2011		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%

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 10 FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution										
ERS	\$ 1,448,060	\$ 1,227,962	\$ 1,048,243	\$ 1,402,886	\$ 828,071	\$ 881,895	\$ 591,907	\$ 542,701	\$ 617,004	\$ 841,157
PFRS	2,191,612	2,672,150	2,052,700	2,432,793	1,965,646	1,900,170	1,508,456	1,560,122	1,445,426	1,649,707
Contributions in relation to the contractually required contribution										
ERS	(1,448,060)	(1,227,962)	(1,048,243)	(1,402,886)	(828,071)	(881,895)	(591,907)	(542,701)	(617,004)	(841,157)
PFRS	(2,191,612)	(2,672,150)	(2,052,700)	(2,432,793)	(1,965,646)	(1,900,170)	(1,508,456)	(1,560,122)	(1,445,426)	(1,649,707)
Contribution deficiency (excess)										
ERS	-	-	-	-	-	-	-	-	-	-
PFRS	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll for year ending June 30,										
ERS	6,938,635	6,882,010	7,053,994	6,926,265	*	*	*	*	*	*
PFRS	9,712,368	10,065,913	9,697,498	9,644,574	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll										
ERS	20.9%	17.8%	14.9%	20.3%	*	*	*	*	*	*
PFRS	22.6%	26.5%	21.2%	25.2%	*	*	*	*	*	*

* Information unavailable

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

CITY OF AUBURN

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

	2016	2015
City's proportion of the net pension liability		
ERS	0.03%	0.03%
PFRS	0.34%	0.32%
City's proportionate share of the net pension liability		
ERS	\$ 4,712,538	\$ 994,781
PFRS	10,010,355	885,962
	14,722,893	1,880,743
City's covered-employee payroll		
ERS	6,908,942	6,873,032
PFRS	9,567,111	10,232,180
	16,476,053	17,105,212
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		
ERS	68.2%	14.5%
PFRS	104.6%	8.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability		
ERS	90.7%	97.9%
PFRS	90.2%	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, 2016

***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, Sewer, and Refuse Collection)

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.

Annual budgets are approved by City Council and maintained for the City's Business-type activity funds (Landfill and Enterprise Funds)

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.

CITY OF AUBURN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 69,343
Beginning of year adjustment for prior year encumbrances recognized as expenditures	(138,469)
End of year adjustment for current year encumbrances not recognized as expenditures	<u>65,058</u>
Excess of Expenditures and Other Uses Over Revenues and Other Sources - Budget Basis	\$ <u>(4,068)</u>

Note 3 Reconciliation of the Sewer Fund Budget Basis to GAAP

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

Excess of expenditures and other uses over revenues and other sources	\$ (715,935)
Beginning of year adjustment for prior year encumbrances recognized as expenditures	(52,814)
End of year adjustment for current year encumbrances not recognized as expenditures	<u>50,810</u>
Excess of Expenditures and Other Uses Over Revenues and Other Sources - Budget Basis	\$ <u>(717,939)</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 accrued liabilities for benefits.

Note 5 Schedules of the City's Proportionate Share of the Net Pension Liability

The Schedules of the City's Proportionate Share of the Net Pension Liability, required supplementary information, present two years of information. These schedules will present ten years of information as it becomes available from the pension plans.

CITY OF AUBURN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

***Note 6* Schedules of City's Contributions - NYSLRS Pension Plans and Schedules of the City's Proportionate Share of the Net Pension Liability**

NYSLRS:

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP - 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2014 actuarial valuation determines the employer rates for contributions payable in fiscal year 2016. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.7%
Salary scale	4.9% in ERS, 6.0% in PFRS, indexed by service.
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.4% annually

CITY OF AUBURN

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	Special Revenue Funds				Total Non-Major Governmental Funds
	Refuse Collection Fund	Water Fund	Permanent Fund	Police Seizure Fund	
ASSETS					
Cash and cash equivalents, unrestricted	\$ 25,738	\$ 953,467	\$ 14	\$ 407,574	\$ 1,386,793
Cash and cash equivalents, restricted	-	143,158	-	-	143,158
Investments	-	2,389	-	-	2,389
Investments, restricted	-	-	9,322	-	9,322
Due from other funds	85,261	217,772	-	-	303,033
Other receivables, net	3,515	1,076,986	-	-	1,080,501
Total Assets	\$ 114,514	\$ 2,393,772	\$ 9,336	\$ 407,574	\$ 2,925,196
LIABILITIES					
Accounts payable and accrued liabilities	\$ 9,784	\$ 131,740	\$ -	\$ -	\$ 141,524
Accrued payroll	15,232	38,684	-	-	53,916
Due to other funds	24,699	583,332	-	-	608,031
Due to retirement system	16,207	40,429	-	-	56,636
Total Liabilities	65,922	794,185	-	-	860,107
FUND BALANCES					
Nonspendable	-	-	9,336	-	9,336
Restricted	-	143,158	-	-	143,158
Committed	-	34,209	-	-	34,209
Assigned	48,592	1,422,220	-	407,574	1,878,386
Total Fund Balances as restated	48,592	1,599,587	9,336	407,574	2,065,089
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 114,514	\$ 2,393,772	\$ 9,336	\$ 407,574	\$ 2,925,196

CITY OF AUBURN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				Total Non-Major Governmental Funds
	Refuse Collection Fund	Water Fund	Permanent Fund	Police Seizure Fund	
REVENUES					
Departmental income	\$ 359,593	\$ 3,871,673	\$ -	\$ -	\$ 4,231,266
Use of money and property	36	35,489	7	246	35,778
Sale of property and compensation for loss	-	5,612	-	-	5,612
Miscellaneous local sources	-	29,224	-	-	29,224
Interfund revenue	-	122,588	-	-	122,588
Federal sources	-	-	-	1,632	1,632
Total Revenues	<u>359,629</u>	<u>4,064,586</u>	<u>7</u>	<u>1,878</u>	<u>4,426,100</u>
EXPENDITURES					
General government support	-	83,123	-	-	83,123
Public safety	-	-	-	25,911	25,911
Home and community services	828,634	2,493,343	-	-	3,321,977
Employee benefits	280,762	612,002	-	-	892,764
Debt service:					
Debt principal - Serial bonds and other long-term debt	-	560,849	-	-	560,849
Debt principal - Bond Anticipation Notes	-	172,945	-	-	172,945
Debt interest	-	257,906	-	-	257,906
Capital outlay	-	121,566	-	-	121,566
Total Expenditures	<u>1,109,396</u>	<u>4,301,734</u>	<u>-</u>	<u>25,911</u>	<u>5,437,041</u>
Excess of Revenue (Expenditures)	<u>(749,767)</u>	<u>(237,148)</u>	<u>7</u>	<u>(24,033)</u>	<u>(1,010,941)</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	797,913	461,031	-	-	1,258,944
Total Other Financing Sources (Uses)	<u>797,913</u>	<u>461,031</u>	<u>-</u>	<u>-</u>	<u>1,258,944</u>
Net Changes in Fund Balances	48,146	223,883	7	(24,033)	248,003
Fund Balances - Beginning of Year as restated	<u>446</u>	<u>1,375,704</u>	<u>9,329</u>	<u>431,607</u>	<u>1,817,086</u>
Fund Balances - End of Year	<u>\$ 48,592</u>	<u>\$ 1,599,587</u>	<u>\$ 9,336</u>	<u>\$ 407,574</u>	<u>\$ 2,065,089</u>

**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2016. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 or other matters 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 City'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.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 26, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 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, 2016.

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 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 Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 26, 2016

CITY OF AUBURN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor ID #</u>	<u>Pass - Through to Subrecipients</u>	<u>Amount of Expenditures</u>
Department of Housing and Urban Development				
Direct Program:				
Community Development Block Grants - Entitlement Grants	14.218	N/A	\$ 116,174	\$ 780,940
Total Department of Housing and Urban Development			116,174	780,940
Department of Justice				
Direct Program:				
U.S. Marshall's Service New York/New Jersey				
Regional Fugitive Force	16.710	N/A		38,815
Equitable Sharing Program	16.922	N/A		25,908
Total Department of Justice				64,723
Department of Transportation				
Passed Through NYS Department of Transportation:				
		395054, 375378, 375385, 375548, 375601, 375598, 375458, and		
Highway Planning and Construction	20.205	375443		967,970
National Infrastructure Investments	20.933	375557		151,930
Total Department of Transportation				1,119,900
Environmental Protection Agency				
Passed Through NYS Environmental Facilities Corporation:				
Capitolization Grants for Clear Water State Revolving Funds	66.458	C7-6240-12-00		1,590,046
Total Environmental Protection Agency				1,590,046
Corporation for National and Community Service				
Direct Program:				
Retired and Senior Volunteer Program	94.002	N/A		30,499
Total Corporation for National and Community Service				30,499
Department of Homeland Security				
Direct Program:				
Staffing for Adequate Fire and Emergency Response	97.083	N/A		377,420
Total Department of Homeland Security				377,420
Total Federal Expenditures			\$ 116,174	\$ 3,963,528

N/A - Indicates Direct Award

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, 2016

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, an entity as defined in Note 1 to the City's basic 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 **Major Program Determination**

The City has determined that all federal programs with expenditures of \$750,000 or more are type A programs. For the year ended June 30, 2016, the City has three type A programs, of which Community Development Block Grants - Entitlement Grants, and Capitalization Grants for Clear Water State Revolving Funds are deemed as major programs for the purpose of the Schedule of Expenditures of Federal Awards.

Note 4 **Indirect Cost Rate**

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. The City has not elected to use the 10% de minimus cost rate allowed under Uniform Guidance.

Note 5 **Matching Costs**

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

CITY OF AUBURN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

***Note 6* 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, 2016 under this Program, as reported in the City's financial statements, are as follows:

Notes Receivable	\$ 4,475,350
Less: Allowance for Uncollectible Accounts	<u>(735,494)</u>
Net Loans Receivable	<u>\$ 3,739,856</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.

***Note 7* Sub-Recipients**

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

<u>Community Development Block Grant - CFDA Number 14.218</u>	
Freedom Recreational Services	\$ 7,500
Cayuga Seneca Community Action Agency	7,500
Boyle Senior Center	12,000
Legal Aid of Mid New York	10,217
Cayuga Counseling Services	15,174
Aurora of CNY	10,442
Rescue Mission of CNY	18,000
Transportation Project of Cayuga County SCAT Van	10,000
Chapel House Homeless Shelter	15,341
Calvary Food Pantry	<u>10,000</u>
Total	<u>\$ 116,174</u>

CITY OF AUBURN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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 X no

Significant deficiency(ies) identified that
are not considered to be material weakness(es)?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified that
are not considered to be material weakness(es)?

___ yes X 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
2 CFR 200.516 of OMB Uniform Guidance

___ yes X no

Identification of major programs:

CFDA	
<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants - Entitlement Grants
66.458	Capitolization Grants for Clear Water State Revolving Funds

Dollar threshold used to distinguish between
type A and type B programs

\$750,000

Auditee qualified as low-risk auditee:

X yes ___ no

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None