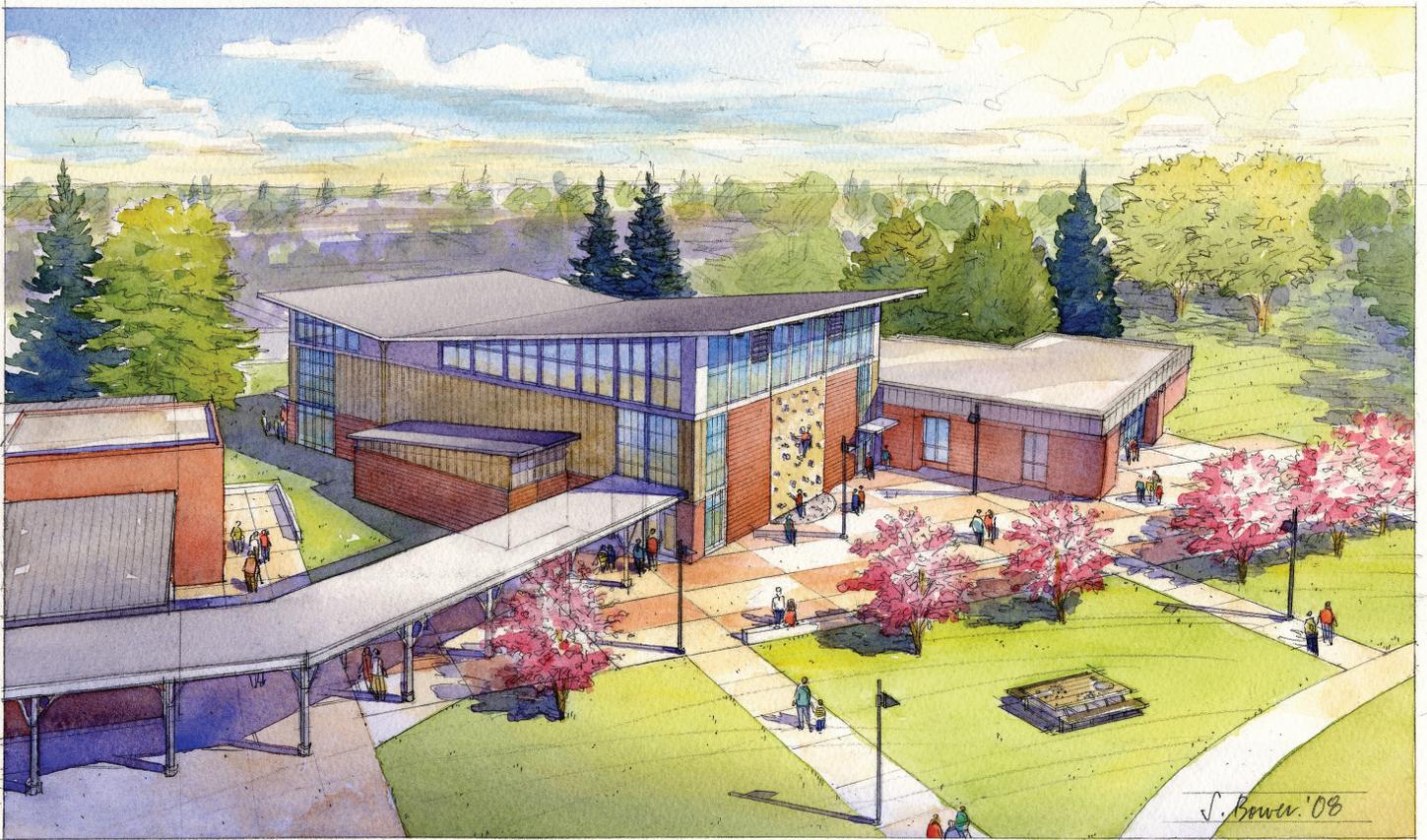
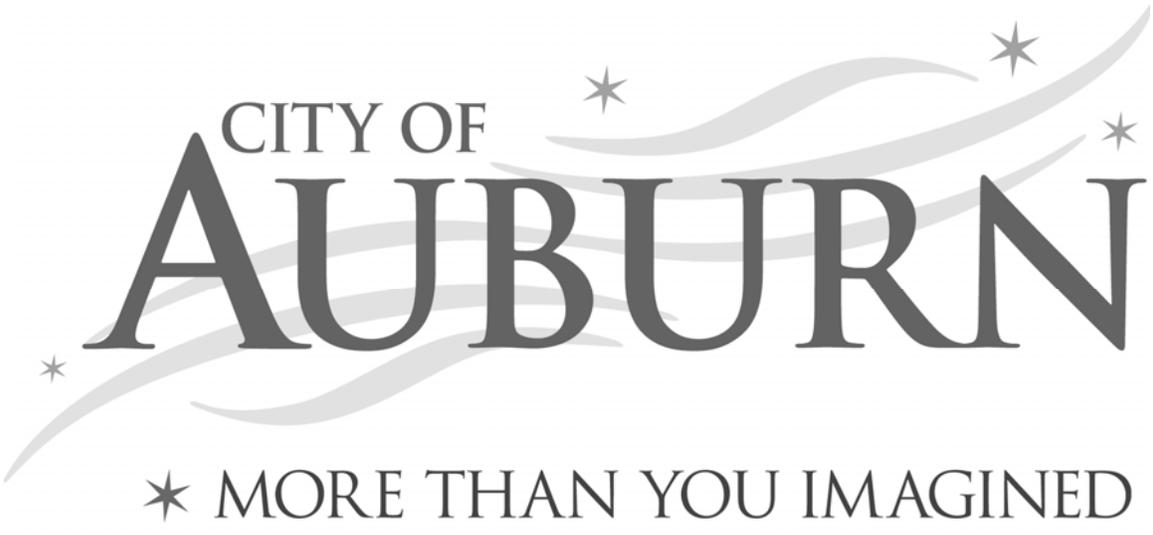


# 2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011





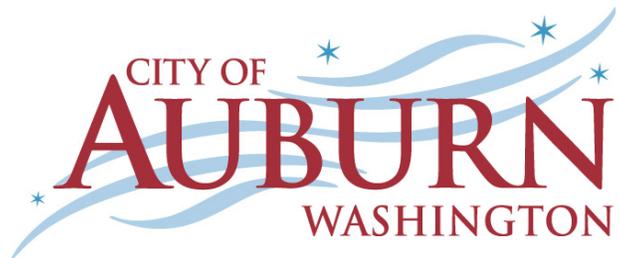
CITY OF  
**AUBURN**

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CITY OF AUBURN  
WASHINGTON

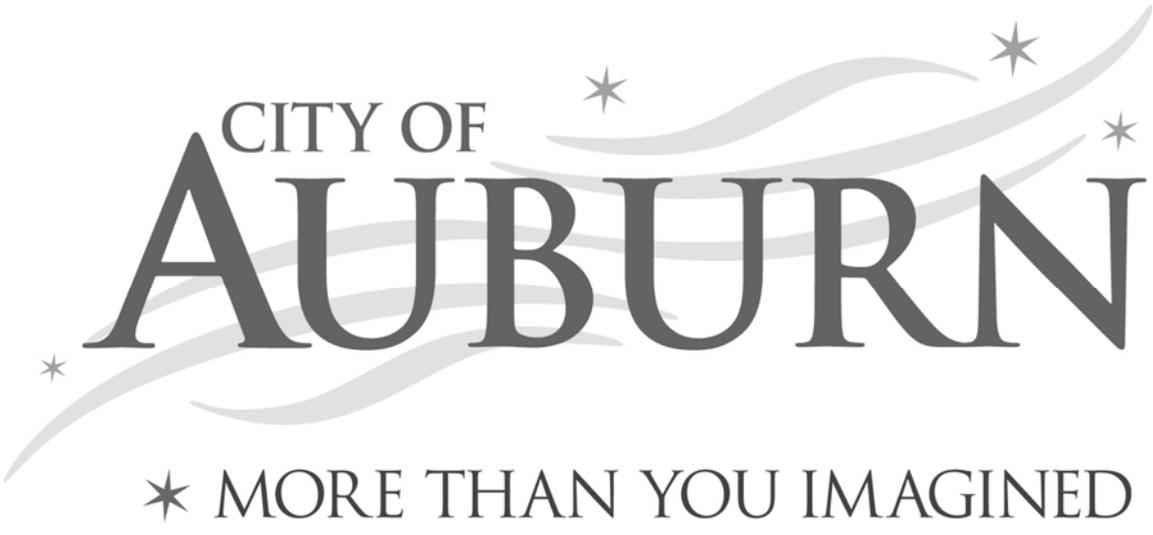
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Fiscal Year January 1, 2011 through December 31, 2011



Prepared by

Finance Department  
Shelley Coleman, Finance Director



CITY OF  
**AUBURN**

\* MORE THAN YOU IMAGINED

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2011

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## CITY OFFICIALS

**MAYOR**  
Pete Lewis

## CITY COUNCIL



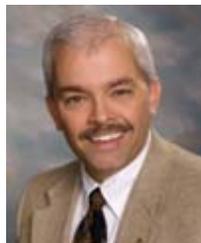
Nancy Backus



John Holman



Wayne Osborne



John Partridge



Bill Peloza



Rich Wagner

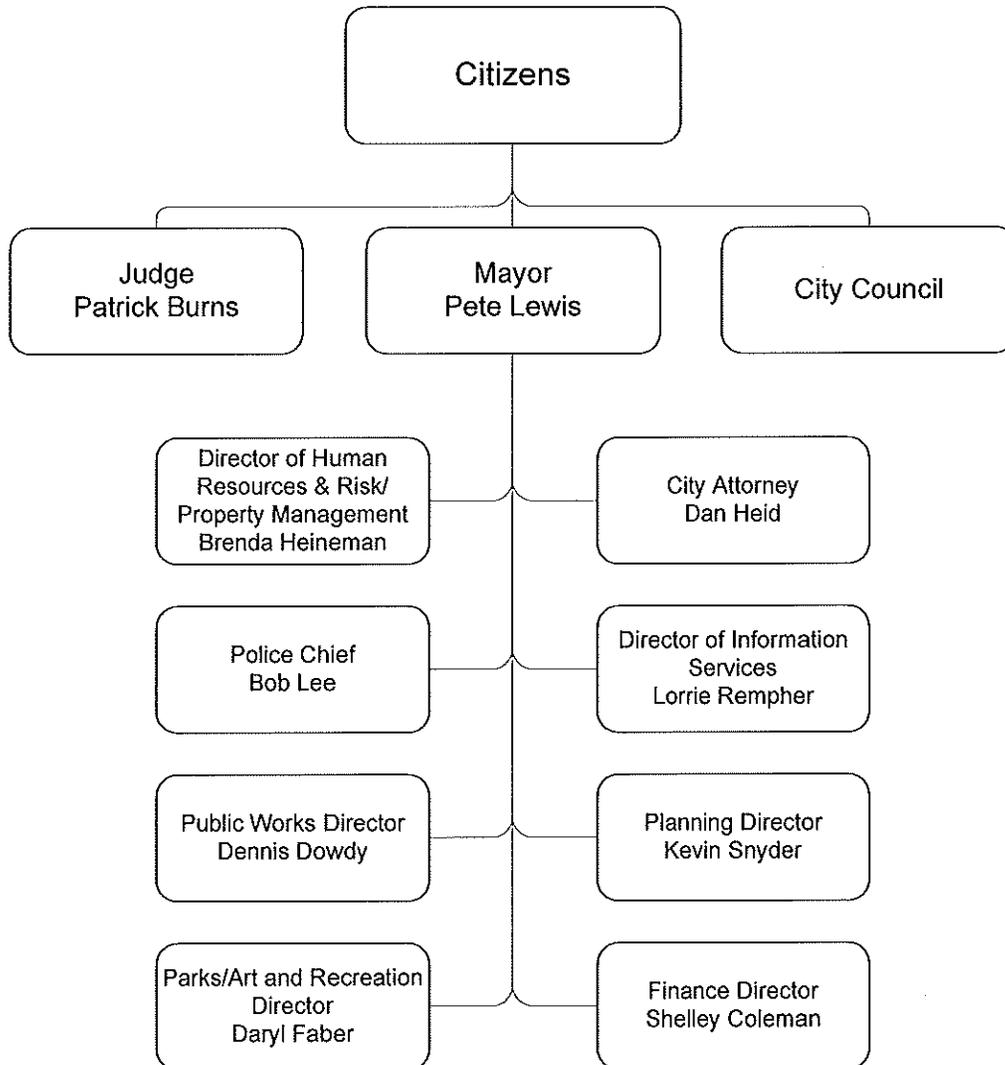


Largo Wales

## DEPARTMENT DIRECTORS

Finance Director  
City Attorney  
Human Resources Director  
Information Services Director  
Parks Director  
Planning Director  
Police Chief  
Public Works Director

Shelley Coleman  
Dan Heid  
Brenda Heineman  
Lorrie Rempher  
Daryl Faber  
Kevin Snyder  
Bob Lee  
Dennis Dowdy



**Finance Committee**

John Partridge, Chairperson  
 John Holman, Vice Chair  
 Largo Wales

**Municipal Services Committee**

Bill Peloza, Chairperson  
 Wayne Osborne, Vice Chair  
 Largo Wales

**Planning & Community Development Committee**

Nancy Backus, Chairperson  
 John Partridge, Vice Chair  
 John Holman

**Public Works Committee**

Rich Wagner, Chairperson  
 Bill Peloza, Vice Chair  
 Wayne Osborne

June 29, 2012

Honorable Peter Lewis, Mayor  
Members of the Auburn City Council  
Citizens of the City of Auburn  
25 W Main Street  
Auburn, WA 98001

We are pleased to present the City's Comprehensive Annual Financial Report for the year ended December 31, 2011. We publish this financial statement in conformity with generally accepted accounting principles (GAAP). It has been audited in accordance with generally accepted auditing standards by the Washington State Auditor's Office.

Therefore, we issue and transmit to you the City of Auburn's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. This transmittal letter provides an overview of the report and the financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it, and describes the systems and controls employed by the Finance department.

The Comprehensive Annual Financial Report has several significant uses. First, it provides a general overview of the City's finances to the general public and taxpayers. Second, it is referenced by bond buyers and rating agencies to evaluate the City's fiscal stability and creditworthiness. Finally, the CAFR is a series of financial statements that have been audited by the State Auditor's Office and provides assurances that assets are safeguarded and funds are expended as they were legally appropriated in the biennial budget.

## **I. INTRODUCTION**

### **A. Management Representation**

The Auburn Finance Department prepared the report and accepts complete responsibility for the accuracy, completeness, and fairness of presentation of the information included. The data is believed to be accurate in all material respects, and it is believed that all significant information necessary for an understanding of the affairs and financial condition of the City has been disclosed. The report has been prepared in conformance with generally accepted accounting principles and in conformance with financial reporting standards issued by the Governmental Accounting Standards Board (GASB).

City management has developed and evaluated a comprehensive internal control structure that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh the benefits, the City's internal control structure is designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we attest that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

As a recipient of federal, state and county financial assistance the City is required to undergo an annual single audit in conformity with U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. The audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's annual single audit for the fiscal year ended December 31, 2011 provided no instances of material weakness in the internal control structure or significant violations of applicable laws.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Auburn's MD&A can be found immediately following the independent auditor's report.

## **B. Organization of the Report**

The report is divided into three sections: the Introductory Section, the Financial Section, and the Statistical Section. The Introductory Section contains the table of contents, a list of the City's principal officials, an organizational chart, this letter of transmittal, and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers' Association of the United States and Canada for the 2010 CAFR. The Financial Section contains the Washington State Auditor's Report, completed by the Washington State Auditor, Management's Discussion and Analysis, Government-Wide Financial Statements, the Fund Financial Statements, Notes to the Financial Statements and Other Required Combining and Supplemental Information. The Statistical Section, which is unaudited, contains a range of statistical tables and charts that present various financial, economic, social, and demographic data about the City. This information depicts various trends that have affected the fiscal condition of the City over the last ten years. The data presented in this section complies with the requirements of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

## **C. Reporting Entity**

The City of Auburn was incorporated in 1891 and currently operates as a non-charter Code City under the laws of the State of Washington. Code City status in Washington provides "home rule" authority to cities. Auburn has a Mayor/Council form of government; the Mayor is elected and is the full-time Chief Administrator. The seven-member City Council is elected at large, rather than by district. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the city. The City is located primarily in southern King County (county seat, Seattle) and a small northeastern portion of Pierce County. These are the two most populous counties in the State of Washington, comprising over 40% of the state-wide population. The City is strategically located in relation to the labor and consumer markets of the two largest cities in the area: Seattle in King County and Tacoma in Pierce County. Auburn currently serves approximately 70,705 people within its incorporated limits.

The City provides a wide range of services, both beneficial and necessary, to its residents as well as to the adjacent area. These services include police protection; parks and recreational facilities that include a senior center, gymnasium, golf course and museum; land use management and development regulation; infrastructure construction and maintenance; water, sanitary sewage collection, storm drainage, and solid waste services; a general aviation airport; and a municipal cemetery. The City also has a municipal court and is a member/owner of Valley Communications providing emergency 911 services and South

Correctional Entity providing jail facilities. Both these organizations provide services to other owner/member governments and other non owner/member governments as well through interlocal agreements.

## **II. ECONOMIC CONDITION**

### **A. Summary of Local Economy**

Auburn began as a small rural community based on agriculture and the railroad, which maintained a significant switching and repair facility. The City has grown significantly since World War II, both as a residential community and as a commercial and industrial area. Auburn has become a significant area for automobile sales and has also developed a substantial manufacturing and distribution base with the largest employer being The Boeing Co., which employs over 5,000 people in its Auburn facility. Boeing is a worldwide supplier of aircraft and related products. The City's assessed valuation in 2011, for 2012 property tax collection, was \$7.199 billion.

Auburn has enjoyed steady residential and industrial growth over the years as development has moved outward from the major cities. The City currently has a growing array of manufacturing facilities, as well as distribution, wholesaling, and retailing operations. Auburn Regional Medical Center, located in Auburn, serves the local geographic area and is a major trauma center of the northwest. The medical center recently expanded and now also includes an oncology center.

Auburn also has a significant retailing base, and in addition to maintaining its downtown core businesses, has attracted significant retailers who have constructed major new facilities in Auburn in recent years. The SuperMall of the Great Northwest has increased the retail base and beginning in 2012 will be undergoing a renovation to modernize and update the functional features of the 16 year old property. In addition, in the past 10 years Auburn has seen the development of a new YMCA, a new Justice Center, Downtown revitalization, White River Amphitheater, Washington National Golf Course, the commuter rail station a Safeway distribution center and a recently completed activity center. Auburn has also been a center for automobile sales for a number of years, drawing customers throughout the Puget Sound region.

Since 2002 the City's collected total assessed property valuation has risen from \$4.02 billion, collected in 2002 to \$7.56 billion, collected in 2011. The sales tax receipts went from \$13.6 million to \$16.2 million in the same time period. The recent economic downturn, coupled with the impact of the Streamlined Sales Tax (SST) legislation enacted by the State of Washington that went into effect July 1, 2008, has dropped sales tax revenues from their high in 2007 of \$18.9 million to \$16.2 million in 2011. The SST eliminated approximately \$250,000 a month of sales tax revenue to the City. The State of Washington has a mitigation plan for cities that are severely impacted by the SST and the City of Auburn received approximately \$2.0 million in mitigation payments in 2011. The 2011 State Legislature reduced the payments by 3.4% starting 2012 and there is no certainty that the mitigation payments will continue.

While the City, similar to other municipalities in the region and nationally, has suffered during the recent economic recession, the local economy is beginning to show some signs of improvement. Sales Tax revenue which constitutes approximately thirty five percent of the General Fund budget, increased to \$16.2 million (+3.5%) over the previous year. While the local economy is beginning to recover, the City remains vigilant in its management of expenses and to ensure it lives within its means. The City's staffing level totals 408 full-time equivalents (FTEs). After freezing 82.5 FTEs in 2009 (these positions have been removed from the 2011 and 2012 biennial budget), the number remains consistent with 2010 levels at the lowest it has been in the past 10 years.

Despite economic cycles, the City has continually focused on enhancing the quality of life in the community. For example, in recent years, through strategically placed bond issues, special levies, successful grant procurements, and conservative operations, parks have been expanded, streets improved, commercial and residential sidewalks have been upgraded, and buildings have been advantageously renovated to house a new senior center and parks department. In 1997, the voters elected to annex to the King County Library System. The System completed construction of a new library in the City early in 2000 and that library is now undergoing expansion and renovation which will now provide an improved access from Auburn Way South and additional parking. The City has renovated the former library building into a Senior Center at the Les Gove Park campus. In 2003, the City was successful in negotiating the purchase of the former YMCA building located on this campus. The building was demolished and site prepared for the future construction of a Community Center. The campus currently hosts the Library, White River Valley Museum, Parks and Recreation department, Activity Center and Senior Center.

Other recently completed projects within the downtown area include the Auburn Regional Medical Center campus expansion. The campus expansion includes an oncology center and a 300 stall parking garage which is a public private partnership with the City where the City will own 147 of the stalls. Also completed is a new professional office building which provides medical/professional office space, relocation of the Key Bank, and over 50,000 square feet of new space for the City Hall. This project is adjacent to the Medical Center project and City Hall.

More recently, the State Legislature identified the Auburn downtown redevelopment area as a demonstration area and the City has received \$6.3 million in resources to finance infrastructure improvements in the downtown area. These improvements include the South Division Street Promenade Project, City Hall Plaza projects, and other infrastructure improvements. This revitalization trend is positive for the aging downtown core and is designed to integrate the existing downtown with the planned development area(s).

Other factors continue to contribute to the local economy. Emerald Downs, a major thoroughbred horseracing facility in Auburn, was constructed to replace Longacres – the area’s former racing facility located in Renton, Washington. Emerald Downs also provides facilities for meetings, banquets and seminars. A major gambling facility is located on the Muckleshoot Indian Reservation in Auburn. This facility has undergone several expansions within the past ten years which include a non-smoking facility, entertainment, and the addition of a 24-hour family restaurant. The Tribe opened the White River Amphitheater, a 25,000 seat outdoor facility in 2003 and completed construction of a five-story parking garage in 2004 to accommodate casino growth and increased numbers of patrons. The total impact of these facilities on the City has been an increased demand for public safety, and a large transportation impact, as the main arterial accessing these sites goes directly through the City. The City is reimbursed for the costs of these services through the Tribes gaming compact agreement with the State.

The Boeing Company’s layoffs and divesture over the past several years in the Puget Sound area has had an effect on the regional and local economy. From 2002 through 2011 Boeing has reduced approximately 48% of its jobs in Auburn. The Boeing downsizing operation has led to new economic growth in Auburn as available property and the adjacent land opens up to development opportunities for other businesses. These new businesses are relocating to Auburn by using property vacated by the Boeing Company. In the long term, the City will benefit from the economic diversity.

The City’s budgeting process is based on financial policies directed at conserving fiscal resources while supporting programmatic strategies. Budget recommendations reflect a long-range analysis of fiscal trends. These policies and practices have not only averted serious funding problems in the past, particularly in the

current economic downturn and recent recession years of 2001 and 2002, but have enabled the General Fund to remain on a firm financial basis during the most recent recession.

The City is maintaining a stable financial condition by reducing expenditure budgets to match the current revenue streams. All funds contain adequate balances, and the City's debt is manageable. The General fund contains a satisfactory balance, a significant Insurance fund has been set aside for contingencies, and the Equipment Rental fund is adequate for vehicle replacement. The Proprietary and Fiduciary funds are generally in satisfactory condition. The Golf Course fund has been under some economic pressure due to two years of poor weather, the economic downturn and competition from surrounding courses. The City is currently reviewing options for this fund to make it a continuing viable recreational resource for the City. The City initiated a review of the City's water, sewer and stormwater utility rates in 2011. This review is expected to be completed in 2012 and will evaluate the utility rate revenue requirements through 2017.

## **B. Future Economic Outlook**

Auburn is in a continuous process of both short-term and long-term financial planning. Short-term financial planning is inherent in the development of the City's biennial budget. Concurrent with the biennial budget is the review of the City's long-term capital needs. Funding sources are assessed with the development of the six-year Capital Facilities Plan. The capital facility plan is a component of the Comprehensive Master Plan, which outlines how the City should look and function in twenty years and creates a vision that can be realistically implemented. An integral part of this vision is determining how to allocate the City's financial resources to achieve the desired goals.

The City has several long-term planning and capital projects underway. These include reconstruction of aged utility infrastructure; street improvements including rehabilitation of local neighborhood streets, the A Street NW corridor, and the M street underpass project; economic development improvements such as the downtown promenade/utility project and cultural and recreation improvements including construction of the Auburn Activity Center. These projects will improve mobility, will contribute to the completion of a North/South arterial corridor, and pave the way for economic growth and development in the downtown and surrounding urban center.

Growth is predicted to continue, but not at the rate experienced in the late 1990's. The challenge is to control costs that grow at a faster rate than revenue. Areas of concern are health care costs and public safety costs related to incarceration and labor contracts. Continuing to maintain service level in these sectors will draw valuable resources from other areas such as infrastructure replacement and capital programs. As Auburn moves forward, economic conditions will be continually monitored and adjustments to city spending and services made to maintain the City's financial health. Long-term plans will be focused on ensuring the City continues to be an economically strong and viable city.

## **III. FINANCIAL INFORMATION**

### **A. Cash Management**

The City invests in U.S. Treasury and Agency Issues, Prime Bankers Acceptances, Time Deposits, and Repurchase Agreements. Investment policies and procedures, established by the Mayor and adopted by the City Council, require the City to establish a trustee to take delivery of all investment transactions at time of payment. The City has contracted with the Bank of New York to provide delivery versus payment trustee services on all government agency investments. The State of Washington maintains an investment pool to provide economies of scale in investing to smaller- and medium-sized cities in the State. The City

uses this service for all funds not invested in longer-term securities. The pool operates under the same legal restrictions that apply to all municipalities in the State and, consequently, uses the same instruments as listed above. The State also takes delivery of all investment transactions.

The City has adopted a comprehensive investment policy statement to guide City investment practices. These policies are closely patterned after the recommendations in *Investing Public Funds* published by the Government Finance Officer's Association (GFOA). Investments are restricted to less than three years in order to maintain liquidity on all investments in all funds, yet enable the City to take advantage of the yield curve. Fiduciary funds, which involve long-term reserves and require minimal liquidity, are invested for longer time periods. The City undertakes repurchase agreements only with financial institutions that offer the City full protection in the event of default, by providing the delivery of the underlying security to the City.

#### **B. Risk Management**

The City participates in the Washington Cities' Insurance Authority (an insurance pool of over 100 cities) and the City actively pursues risk reduction in the operation of its programs.

The City purchases, with employee participation, most of its health insurance for its employees through commercial policies administered by the Association of Washington Cities. Employees represented by the Teamsters Union have insurance through the Teamsters organization. The City participates in the Washington State Workers' Compensation program.

In order to keep its long-term options open and to provide for any uninsured losses that might occur, the City has elected to build an insurance reserve (the Insurance fund). The Insurance fund supplements various insurance coverages maintained by the City. This fund is also used to self-insure some limited exposures, the most significant of which is accidental loss to City-owned vehicles.

The Washington Cities' Insurance Authority not only provides a sharing of risk by pooling of losses, it also provides an extensive array of professional services in risk management. The pool monitors the City's management practices and damage claims. The City follows the guidelines provided by the pool in an effort to minimize risk exposure in the day-to-day operations of the City's programs. The City also maintains an extensive employee safety program managed by the Human Resources department.

### **IV. OTHER RELEVANT INFORMATION**

#### **A. Independent Audit**

State law requires an annual audit of all City books of accounts and financial records by the Office of the State Auditor, which is headed by an independently elected State official, the State Auditor. The Auditor has broad legal authority to inquire into all financial and legal compliance matters and such audits are considered equal to audits by certified public accounting firms. The 2011 financial audit of the City is complete and was conducted in conformance with Generally Accepted Auditing Standards. The financial statements of all City funds have been included in this audit. The City has been given an unqualified opinion for 2011. Please see the Auditor's Report. The State Auditor's Office also audits the City's administration of its federal grants under the single audit concept.

**B. Awards**

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. This was the twenty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City has also received the Government Finance Officer's Association Distinguished Budget Presentation award for twenty years. The City was one of just twenty-two cities in the state to receive both the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation award for 2010.

**C. Acknowledgments**

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated staff of the Finance department and various other City employees who assisted in its production. Further appreciation is extended to the Mayor and City Council for their encouragement, interest, and support in conducting the financial affairs of the City in a sound and progressive manner. The assistance of the auditors from the Washington State Auditor's Office is also greatly appreciated.

Respectfully submitted,



Shelley R. Coleman  
Finance Director



CITY OF  
**AUBURN**

\* MORE THAN YOU IMAGINED

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Auburn  
Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director



CITY OF  
**AUBURN**  
\* MORE THAN YOU IMAGINED



**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 29, 2012

Mayor and City Council  
City of Auburn  
Auburn, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Auburn, King County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Auburn, King County, Washington, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Street funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2011, the City has implemented the Governmental Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant



agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 31 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 the 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund financial statements and schedules on pages 102 through 146 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Auburn's (the "City") discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the City's financial activity
- Identify changes in the City's financial position (its ability to meet future years' challenges)
- Identify any material deviations from the approved budget
- Identify individual fund issues or concerns

Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts. Therefore, it should be read in conjunction with the Transmittal Letter and the City's financial statements.

### Financial Highlights

- Total government-wide net assets, the amount by which total assets exceed total liabilities, equal \$601.4 million, an increase of \$33.9 million or 5.9%. Of this, a total of \$507.2 million, or 84.3% of total net assets, is invested in capital assets, net of debt related to the capital assets, and includes assets such as utility systems, streets, buildings, land, vehicles and equipment. An additional \$5.2 million of net assets is restricted for purposes of endowment and debt service. Of the remaining \$88.9 million of net assets, \$13.1 million is legally restricted, reserved by City policy for specific purposes, or is restricted for use by the City's utilities and \$75.8 million is unrestricted.
- The net increase in government-wide net assets during 2011 was \$33.9 million. Of this amount, \$34.3 million was directly related to the increase in City-owned capital assets and infrastructure, net of related debt.
- On a government-wide basis, governmental net assets increased by \$18 million during 2011, primarily reflecting an increase in capital grants and contributions and general revenues. The increase in capital grants and contributions were attributable to receipt of federal grants to support the construction of the City Hall Plaza and Promenade and M Street improvements. General revenues increased from \$48.7 million in 2010 to \$51 million in 2011, reflecting a general but very gradual improvement in the regional economy.
- Business-type net assets increased by \$15.9 million to \$200.9 million during 2011 as a result of capital contributions related to the City's water, sewer and storm water utilities.
- Governmental fund balances at year-end totaled \$41.7 million. Of this amount, \$14.2 million, or 28%, is unassigned and available to fund ongoing activities.

Compared to 2010, total governmental fund balances decreased by \$3.4 million. This decrease reflects the spending of resources for local revitalization funding.

- Total City debt payments during the year, net of compensated absences and other post employment benefits, were \$2.56 million. Total outstanding debt, including bonds and loans, totaled \$102 million at December 31, 2011. This ending debt balance is a decrease of \$1.5 million from 2010 and is the result of scheduled debt repayments. See note 9 for further information on debt activity during the year.

## Other City Highlights:

### Parks and Community Development

- Construct the South Division Street Promenade Project; construction completion and reopening of Division Street to vehicular traffic is expected to occur during the first quarter 2012. This project includes development of a comprehensive promenade and includes upgrades to all utilities and new roadway corridor treatments. This City received a \$3.0 million Federal Economic Development Administration grant in support of this project.
- Completed construction of the City Hall Plaza project.
- Completed design and begin construction replacement of existing downtown pedestrian lighting.
- Conduct annual repairs and replacement of existing sidewalks at various locations throughout the City.
- Completed construction of the Auburn Activity Center. This project was partially funded by a grant from the Boys and Girls club through the US Department of Commerce.

### Public Works

- Replace the Ellingson sewer pump station.
- Completed maintenance and repairs at the White River storm pump station.
- Complete construction of a new reservoir serving the Lakeland Hills Service area.
- Continued reconstruction of West Valley Highway between State Route 18 and West Main Street, including signal improvements at West Main Street.
- Update and replace the existing pump station in the Lakeland Hills water service area.
- Completed design and begin construction of the arterial street corridor "A" Street Northwest from 14<sup>th</sup> Street NW out to 3<sup>rd</sup> Street NW.
- Completed design of the "M" street grade separation project. This project will lower "M" Street SE from the Burlington Northern Santa Fe Stampede Pass Rail line to improve traffic flow and safety.

## Overview of the Financial Statements

The City's basic financial statements are presented in three parts:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

Other supplementary information, in addition to the basic financial statements, is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

## Government-wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which add to a total for the City. The focus of the *Statement of Net Assets* is designed to be similar to bottom-line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the City's overall financial health.

The *Statement of Activities* is focused on both the gross and net cost of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed.

Governmental activities of the City include general government (executive, finance, legal, human resources, and court), security (police), physical environment, economic environment, transportation, health and human services, and culture and recreation. The City's business-type activities include water, sanitary sewer, storm water and solid waste utilities, as well as the operations of a golf course, airport, and cemetery. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

## Fund Financial Statements

The Fund Financial Statements are the traditional reporting format for governments. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. While the government-wide statements present the City's finances based on the type of activity (general government vs. business type), the Fund Financial Statements are presented by fund type, such as the general fund, special revenue funds and proprietary funds, with the focus on major funds.

*Governmental Funds* are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. The government major fund is presented utilizing the "sources and uses of liquid resources" basis. This is the manner in which the budget is typically developed. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on the near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current-year financing decisions.

Because the basis of accounting is different between the governmental fund statements and the government-wide financial statements, reconciliations are provided. The reconciliation between the governmental fund Balance Sheets and the government-wide Statement of Net Assets is found on the bottom of the governmental funds' Balance Sheet, while the reconciliation between the governmental fund

Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities is found directly following the governmental funds' Statement of Revenues, Expenses, and Changes in Fund Balance.

The City maintains twenty-two individual governmental funds. Of these, three are considered major (the general fund, the arterial street fund, and the capital improvement projects fund) and are presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds". Individual fund data for each of the other governmental funds can be found in the combining statements later in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level according to state law. Budgetary comparison statements are presented for the general and arterial street funds as required supplemental information. Other budgetary comparison schedules are included following the other government funds' combining statements in this report.

*Proprietary funds* are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens, while internal service funds are used to account for goods and services provided internally to various City departments.

Enterprise funds report the same functions presented as business-type activities in the government-wide statements, but in greater detail. The City's enterprise fund statements provide information on the City's four utilities (water, sanitary sewer, storm water, and solid waste) as well as the City-owned airport, cemetery, and golf course.

Internal service funds are an essential accounting tool used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, its maintenance and operation of facilities, the City-wide provision of computer hardware and software services, and its insurance premiums. Internal service funds benefit both governmental and business-type activities, and are allocated accordingly in the government-wide statement of activities.

*Fiduciary funds* account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City's activities.

The City has two fiduciary funds: a pension fund and an agency fund, and are accounted for on the accrual basis. As agency funds are custodial in nature, they do not include revenues and expenses.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of the Basic Financial Statements section.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the budget vs. actual reports of the City's general fund and major special revenue funds. The budget vs. actual required supplementary information can be found on page 42 and 43, and the pension benefit and other postemployment benefit required supplementary information is found in note 11.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented in the section titled "Fund Financial Statements and Schedules".

## Government-wide Financial Analysis

The statement of net assets may serve as a useful indicator of the City's financial position. The overall financial position has improved for the City of Auburn over the prior year. Changes in Net Assets from 2010 to 2011 show an increase in total net assets of \$33.9 million. Following is a condensed version of the government-wide statement of net assets with a comparison to 2010:

### STATEMENT OF NET ASSETS Comparative Analysis of 2010 and 2011

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/11	As of 12/31/10	As of 12/31/11	As of 12/31/10	As of 12/31/11	As of 12/31/10
Current and other assets	\$ 101,433,282	\$ 101,733,088	\$ 48,333,780	\$ 55,721,170	\$ 149,767,062	\$ 157,454,258
Capital assets, net of accumulated depreciation	373,321,713	353,913,056	195,390,894	173,065,995	568,712,607	526,979,051
Total assets	474,754,995	455,646,145	243,724,674	228,787,164	718,479,669	684,433,310
Long-term liabilities	64,046,364	64,383,783	36,574,493	37,949,404	100,620,857	102,333,187
Other liabilities	10,286,466	8,840,830	6,182,683	5,744,311	16,469,149	14,585,141
Total liabilities	74,332,830	73,224,613	42,757,176	43,693,715	117,090,006	116,918,328
Net assets						
Invested in capital assets, net of related debt	340,941,112	320,506,701	166,289,542	152,343,987	507,230,654	472,850,688
Restricted for:						
Capital Projects	11,619,999	12,758,682	-	-	11,619,999	12,758,682
Nonexpendable Permanent Endowment	1,449,220	1,271,673	-	-	1,449,220	1,271,673
Debt Service	54,717	22,524	3,742,596	3,696,499	3,797,313	3,719,023
Tourist Promotion	93,412	97,852	-	-	93,412	97,852
Drug Investigation & Enforce	948,619	941,620	-	-	948,619	941,620
Comm Dev Block Grant	43,397	43,299	-	-	43,397	43,299
Central Business Distr Dev	21,599	44,817	-	-	21,599	44,817
Rate Stabilization	-	-	411,386	410,629	411,386	410,629
Unrestricted	45,250,090	46,734,364	30,523,974	28,642,334	75,774,064	75,376,698
Total net assets	\$ 400,422,165	\$ 382,421,532	\$ 200,967,498	\$ 185,093,449	\$ 601,389,663	\$ 567,514,981

The largest component of the City's net assets, \$507.2 million, or 84.5%, is its investment in capital assets, less debt related to the acquisition or construction of those assets. These capital assets, such as streets, parks, trails, and vehicles and equipment related to police and public works, are used to provide services to the citizens. As a result, these assets are not for sale, and are therefore not available to fund current and future City obligations. The City elected the GASB 34 reporting option to include all general infrastructure of the City acquired or substantially renovated since 1980.

The largest component of unrestricted net assets, \$45.2 million, may be used for functions such as public safety employee salaries and supplies, park and road maintenance, and other general governmental services. The second largest component of unrestricted net assets, \$30.5 million, represents the unrestricted net assets of the City's business-type activities and may only be spent on activities related to one of the four City utilities (water, sanitary sewer, storm water and solid waste) or to the City-owned ventures (airport, golf course, and cemetery). Examples of utility activities include maintenance of water/sewer mains, pump and lift stations, storm drain flushing, water meter reading, and garbage collection. Activities related to the other City-owned ventures include maintenance of hangars and runways at the airport, and grooming and landscaping at the golf course and cemetery.

Restricted governmental fund net assets are \$14.2 million and are restricted for purposes such as capital project construction, debt service, drug investigation and enforcement, and endowment. Total net assets invested in capital assets, net of related debt increased \$34.4 million.

### Changes in Net Assets

The change in net assets represents the increase or decrease in City net assets resulting from its various activities.

Following is a condensed version of the City's changes in net assets. The table shows the revenues, expenses and related changes in net assets for both governmental-type and business-type activities:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 9,508,793	\$ 7,849,758	\$ 45,045,488	\$ 43,461,742	\$ 54,554,281	\$ 51,311,500
Operating grants and contributions	1,724,711	3,022,835	116,735	70,841	1,841,446	3,093,675
Capital grants and contributions	19,730,140	10,702,132	15,981,735	7,391,111	35,711,875	18,093,244
General revenues						
Property taxes	15,204,611	14,766,470	-	-	15,204,611	14,766,470
Sales taxes	16,213,244	15,657,081	-	-	16,213,244	15,657,081
Interfund utility taxes	2,948,297	2,788,083	-	-	2,948,297	2,788,083
Admission & utility taxes	9,049,689	8,886,964	-	-	9,049,689	8,886,964
Excise taxes	1,859,738	1,389,030	-	-	1,859,738	1,389,030
Other taxes	4,644,909	4,622,138	-	-	4,644,909	4,622,138
Investment earnings	224,593	379,316	101,694	158,211	326,287	537,527
Miscellaneous revenue	775,969	214,190	2,584,004	1,588,068	3,359,973	1,802,257
Total revenues	81,884,694	70,277,997	63,829,656	52,669,972	145,714,350	122,947,969
Expenses:						
General government	8,581,829	7,934,948	-	-	8,581,829	7,934,948
Public safety	27,320,805	25,890,627	-	-	27,320,805	25,890,627
Transportation	12,123,615	11,989,752	-	-	12,123,615	11,989,752
Physical environment	2,327,911	2,498,539	-	-	2,327,911	2,498,539
Culture and recreation	7,606,584	7,307,270	-	-	7,606,584	7,307,270
Economic environment	3,135,984	2,499,631	-	-	3,135,984	2,499,631
Health and human services	619,172	578,247	-	-	619,172	578,247
Interest on long-term debt	1,685,055	1,809,322	-	-	1,685,055	1,809,322
Water	-	-	8,961,736	10,042,879	8,961,736	10,042,879
Sanitary sewer	-	-	18,852,402	17,794,958	18,852,402	17,794,958
Storm drainage	-	-	6,752,021	6,994,381	6,752,021	6,994,381
Solid waste	-	-	9,957,943	9,894,429	9,957,943	9,894,429
Golf course	-	-	1,903,836	1,844,108	1,903,836	1,844,108
Other business-type activities	-	-	2,010,776	1,781,204	2,010,776	1,781,204
Total expenses	63,400,955	60,508,335	48,438,714	48,351,960	111,839,669	108,860,294
Increase in net assets before transfers	18,483,739	9,769,662	15,390,942	4,318,013	33,874,681	14,087,674
Transfers	(483,107)	1,463,444	483,107	(1,463,444)	-	-
Change in net assets	18,000,632	11,233,105	15,874,049	2,854,569	33,874,681	14,087,674
Net assets-beginning of period	382,421,533	371,188,427	185,093,449	182,238,880	567,514,982	553,427,307
Net assets-end of period	\$ 400,422,165	\$ 382,421,532	\$ 200,967,498	\$ 185,093,449	\$ 601,389,663	\$ 567,514,981

Governmental activities contributed \$18 million to the total increase in City net assets. Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. However, asset purchases are not recorded as expenses in the year purchased and construction costs are not recorded as expenses in the year incurred. Instead, the costs are recorded as long-term assets and are depreciated over their useful life.

General tax revenues increased by 3.8% to \$49.9 million between 2010 and 2011, compared to an increase of 1.5% between 2009 and 2010:

- Property tax revenue rose \$438,000, or 3%.
- Sales tax collections increased \$556,000, or 3.6%, reflecting gradual improvement in the economy.
- Utility and admission tax revenue increased by \$323,000 or 2.8%.
- Excise tax revenue increased by \$471,000, or 33.9%. The increase in excise taxes is due primarily to real estate excise taxes (REET) which increased as a result of a rise in real estate sales.

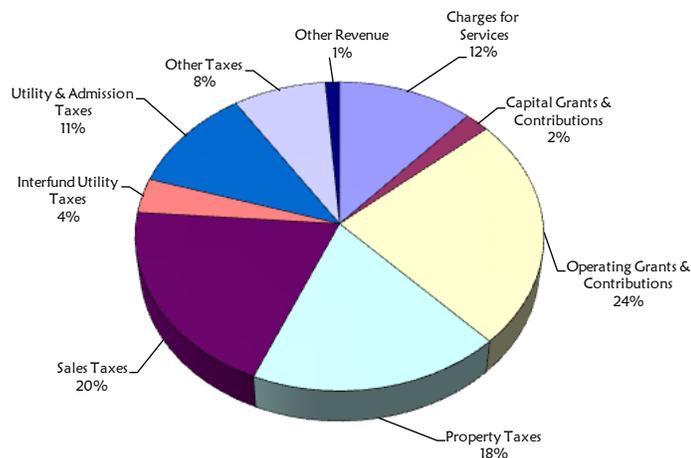
Investment earnings fell by \$155,000 in governmental activities and \$56,000 in business-type activities for a government-wide decline of \$211,000 or 39.2%. These declines reflect the continued low interest rates.

Government-wide Miscellaneous revenue increased \$1.5 million, and was attributable to a gain on sale of assets, receipt of Storm related grants and a settlement.

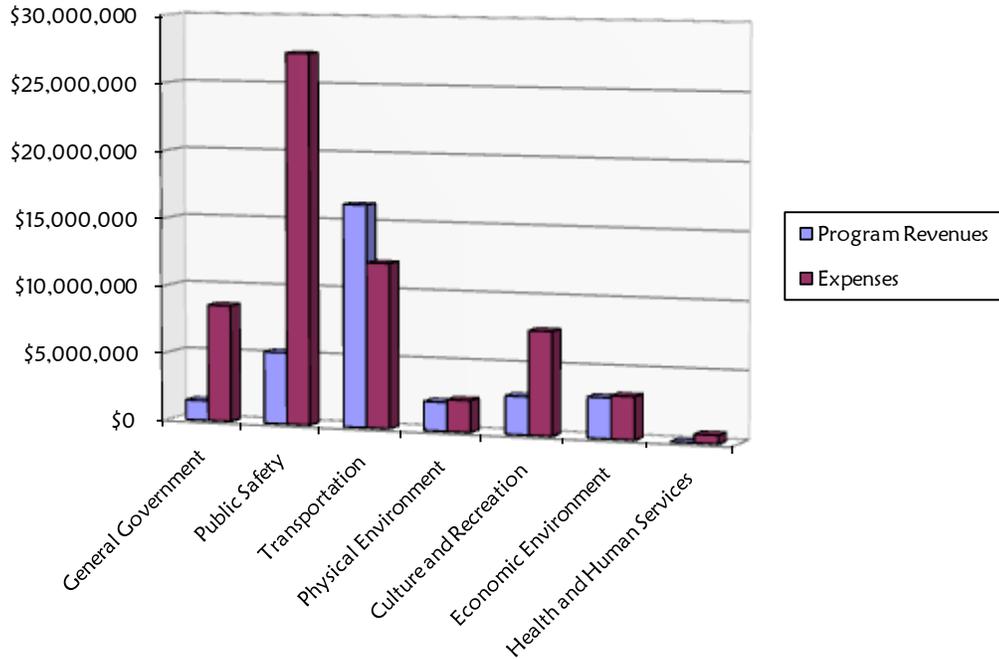
Government-wide expenses increased by approximately \$2.9 million or 4.8% and were attributable to the “A” street project, “M” street grade separation project, SCORE jail start up and incarceration costs and increased economic development activities.

The following first chart summarizes the government activity revenue by source, while the second chart reflects the specific programs’ revenues and related expenses for the various activities of the City. Gaps between specific programs’ revenues and their related expenditures are funded through general tax revenues.

**Revenues by Source – Government Activities**



**Program Expenses and Revenues – Governmental Activities**



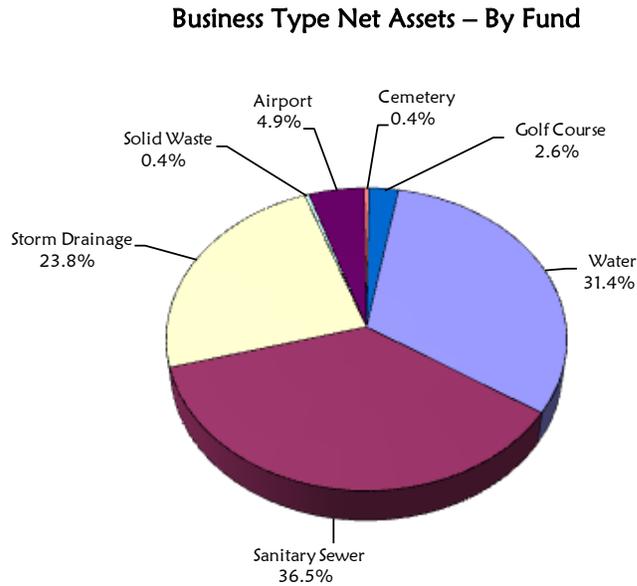
Business-type net assets totaled \$200.9 million, an increase of 8.6%. Key components of this increase include:

- Business-type revenues increased \$11.2 million due primarily to an increase in utility capital contributions.
- Income (loss) before capital contributions and transfers amounted to:

Water fund:	\$ 945,056
Sanitary sewer fund:	(1,634,310)
Storm fund:	718,836
Solid waste fund:	(163,129)
Golf course:	(514,174)
Non-major funds:	<u>(256,531)</u>
	\$ (904,252)

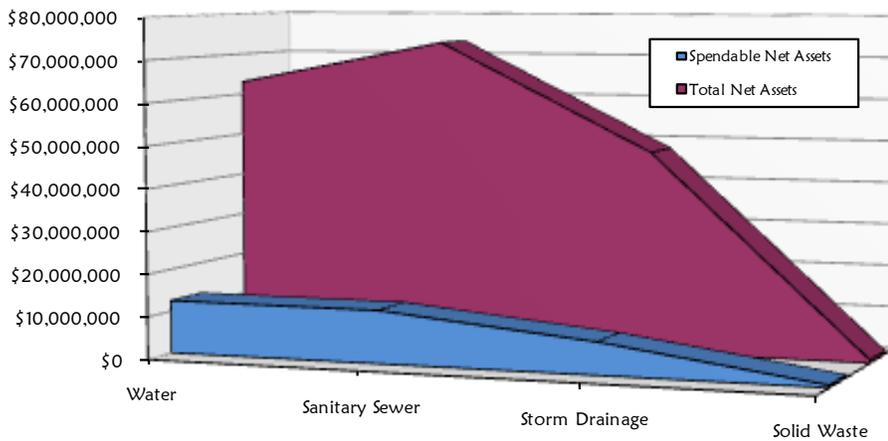
- Net transfers-in totaled \$483,107.

The following chart shows the relative net asset balances for each business-type fund:

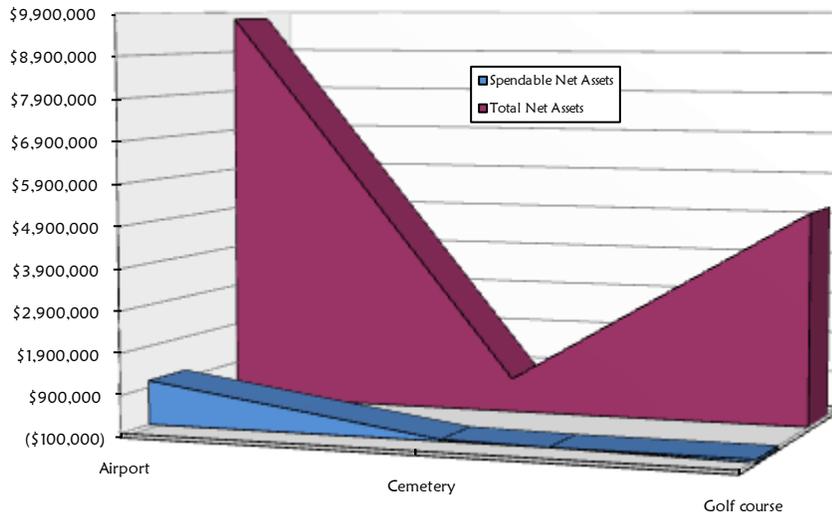


The majority of net assets in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, the airport runway, and the golf course land. As such, most of the net assets are not available to support the ongoing expenses of the funds. Following are two charts that contrast the total net assets to the spendable portion of net assets for each enterprise fund:

### Comparison of Total Net Assets to Spendable Net Assets Utility Funds

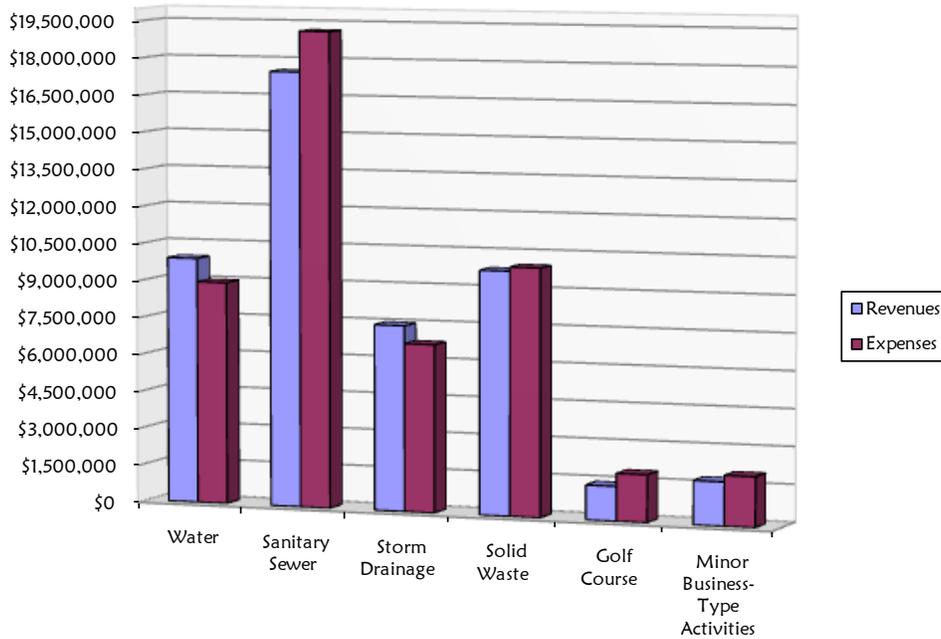


**Comparison of Total Net Assets to Spendable Net Assets  
Other Enterprise Funds**

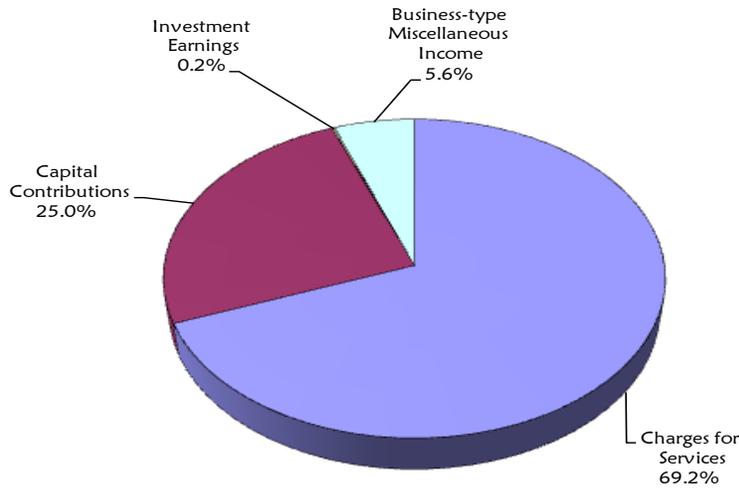


The following first chart depicts the revenues and expenses for business-type funds, while the second shows the various sources of business-type revenue:

**Business Type Activity Revenues and Expenses  
Before Capital Contributions and Transfers**



**Business Type Activity Revenues  
By Source**



**Financial Analysis of Governmental Funds**

The purpose of the City’s governmental funds is to report on near-term revenues/financial resources and expenditures. This information helps determine the City’s financial requirements in the near future. Specifically, fund balance is a good indicator of the City’s financial resources.

As of December 31, 2011, the City’s governmental funds had combined fund balances of \$41.8 million, a decrease of \$3.4 million or 7.6% over the previous year. This decrease is primarily due to a decrease in fund balance from the spending of resources associated with the local revitalization bond proceeds and an increase in fund balance for the General fund. The following table shows the changes in fund balance between 2010 and 2011.

**Changes in Fund Balance - By Fund**

<b>Fund</b>	<b>2011</b>	<b>2010</b>	<b>Difference</b>
General fund	21,275,495	21,114,386	161,109
Arterial street fund	1,783,698	1,767,344	16,354
Capital improvement fund	6,164,487	7,124,925	(960,438)
Cumulative reserve fund	0	0	0
Mitigation fund	3,838,152	4,336,836	(498,684)
Cemetery endowment fund	1,556,570	1,537,107	19,463
All other government funds	7,147,197	9,303,373	(2,156,176)
<b>Total</b>	<b>41,765,599</b>	<b>45,183,971</b>	<b>(3,418,372)</b>

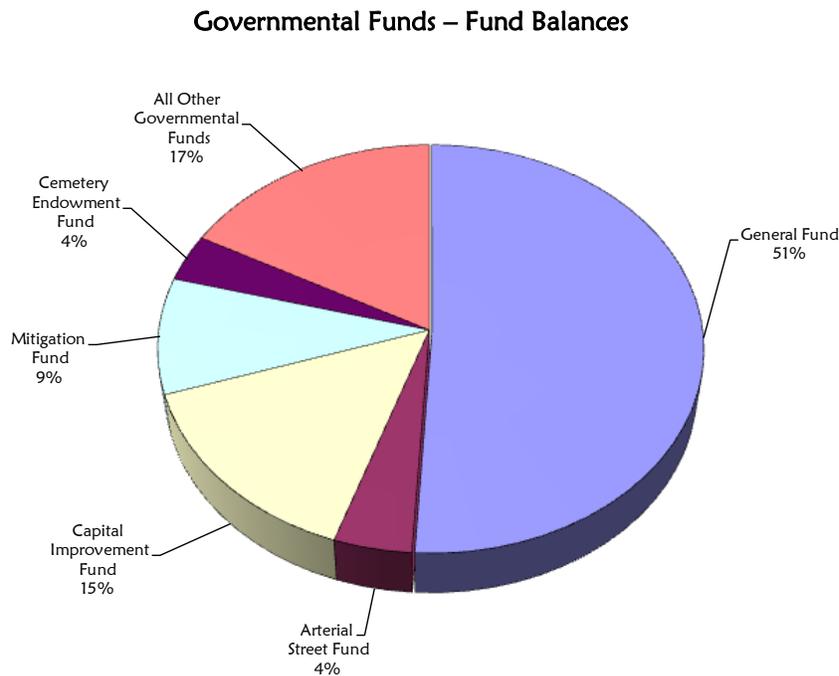
Of the government funds’ total fund balances, \$14.2 million is unassigned. Nonspendable, restricted, committed and assigned fund balances total \$27.6 million. Of this \$27.6 million, \$10.6 million is earmarked for capital projects, \$8.2 million is in special revenue funds that are earmarked for specific purposes and \$1.5 million is for endowment.

The general fund is the primary operating fund of the City. All receipts and payments of ordinary City operations are processed through it unless they are required to be accounted for in another fund. At the end of 2011, the general fund had a fund balance of \$21.3 million, \$7.1 million of which is assigned and \$14.2 million is unassigned.

Other funds that had significant fund balances include:

- \$6.2 million in the capital improvement projects fund; used for various governmental capital asset projects.
- \$3.8 million in the mitigation fund; used to collect fees from new development to mitigate the cost of new roads and other infrastructure.
- \$1.5 million in the cemetery endowed care fund; used for maintenance of the cemetery.
- \$7.1 million in all other government funds; used primarily for local street improvements and local revitalization funding.

The following chart shows the relative fund balances for governmental funds:

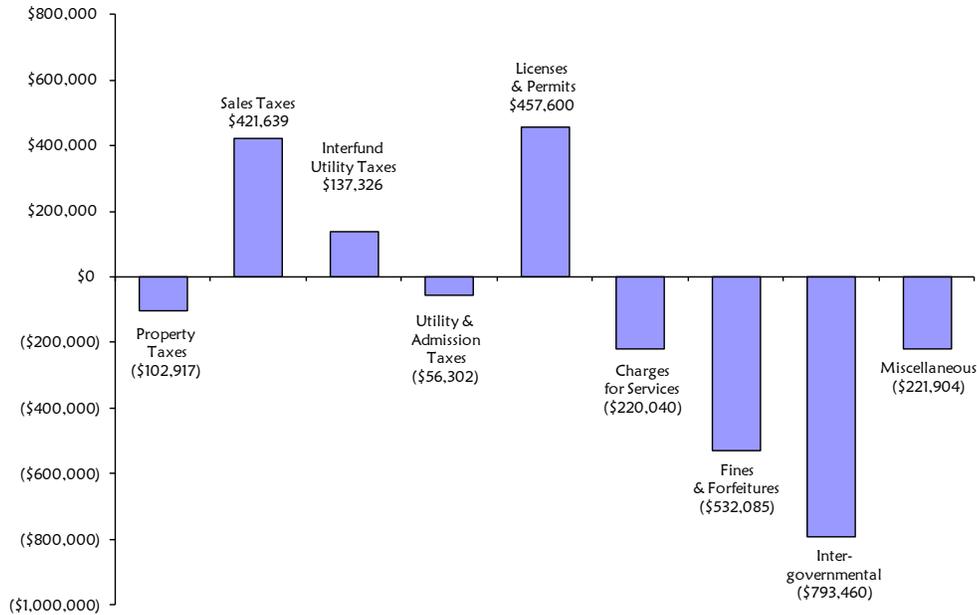


The increase in the general fund balance of \$161,000 is primarily due to insurance recoveries of \$154,000.

In addition, property taxes increased \$438,000 or 3% and sales taxes increased \$556,000 or 3.6% reflecting a general but very gradual improvement in the regional economy. Capital grants and contributions increased \$9 million and were attributable to receipt of federal grants to support construction of the City Hall Plaza and Promenade and “M” Street improvements.

The general fund revenue decrease of \$910,143 came from the following sources:

**2011 General Fund Revenue Increases / (Decreases) – By Source**



The ending fund balance decrease of \$960,000 in the capital improvement projects fund is largely due to the costs associated with the construction of the Activity Center project and the “M” street grade separation project.

Other significant changes in fund balance include:

- The mitigation fund decreased, primarily due to transfers out of \$1.4 million related to the M street grade separation project.
- The municipal park construction fund and local revitalization fund decreased by a total of \$2.8 million largely due to the costs associated with the construction of the City Hall Plaza project and the South Division Street Promenade project.

**Financial Analysis of Proprietary Funds**

The City’s proprietary funds provide the same type of information as found in the government-wide financial statements, but in greater detail. Factors affecting the finances of the City’s proprietary funds have already been addressed in the discussion of the City’s business-type activities.

**General Fund Budgetary Highlights**

The City budgets biennially by adopting two single-year budgets at the end of each even-numbered year and then making adjustments as necessary via budget amendments throughout the next two years. Major amendments to the 2011 budget included:

- Budgeted General Fund expenditures increased \$53.9 million to \$54.9 million, reflecting carry forward of SCORE jail startup project expenditures that were not completed as of the end of 2010 and the authorization of several new positions within Human Resources, Council, Parks and Finance departments.

Reasons for the variances in the general fund between the final budget and actual results include:

- Actual General Fund revenues totaled \$50.1 million and exceeded budget by \$1.6 million. Significant areas of variance include licenses and permits which exceeded budget by \$640,000 reflecting increased activity from building and mechanical inspection permits; utility tax revenues exceeded budget by \$328,000 reflecting a one-time utility back billing correction and property taxes exceeded budget by \$545,000 reflecting stronger collections than anticipated.
- Actual General Fund expenditures totaled \$50.1 million and were under-budget by \$4.7 million. While all departments experienced savings due to continued vigilance in monitoring city-wide expenditures, significant areas of under-expenditure occurred within the Security of Person and Property, reflecting staff vacancies within the Police Department and within General Government reflecting savings within the non-departmental program.

## Capital Asset and Debt Administration

### Capital Assets

The City's investment in capital assets for both its governmental and business-type activities as of December 31, 2011 totaled \$568.7 million (net of accumulated depreciation), an increase of \$41.7 million from 2010. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, roads, bridges, and other infrastructure.

Major capital asset changes during the year include:

- Developer contributions resulted in an increase of \$14.7 million in utility infrastructure assets and \$9.4 million in governmental infrastructure assets.
- \$12.9 million was spent by proprietary funds on construction projects during the year.
- \$21.5 million was spent by governmental funds on construction projects during the year. Some of the larger projects in the governmental funds include:

\$5.4 million on Division Street Promenade and City Hall Plaza

\$3.6 million on A Street NW Corridor – Phase 1

\$2.4 million on Auburn Activity Center

\$2.4 million on M St SE Grade Separation

\$2.1 million on Local Street Improvements

\$1.9 million on West Valley Highway Improvements

\$1.2 million on Arterial & Collector Preservation

A summary of the City's net assets follows:

#### Summary of Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/11	As of 12/31/10	As of 12/31/11	As of 12/31/10	As of 12/31/11	As of 12/31/10
Land	\$ 109,603,713	\$ 108,083,252	\$ 14,505,063	\$ 14,505,063	\$ 124,108,776	\$ 122,588,315
Building	47,569,241	45,418,589	6,733,673	7,116,567	54,302,914	52,535,156
Site improvements	5,543,338	4,598,500	158,374,226	145,763,863	163,917,564	150,362,363
Equipment	6,605,895	6,763,180	456,604	403,964	7,062,499	7,167,144
Intangibles	805,556	864,598	-	-	805,556	864,598
Infrastructure	181,677,452	174,203,901	-	-	181,677,452	174,203,901
Construction in progress	21,516,518	13,981,035	15,321,328	5,276,536	36,837,846	19,257,571
	<u>\$ 373,321,713</u>	<u>\$ 353,913,055</u>	<u>\$ 195,390,894</u>	<u>\$ 173,065,993</u>	<u>\$ 568,712,607</u>	<u>\$ 526,979,048</u>

More detailed information on capital assets is provided in Note 7.

#### Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$86.4 million. Of this amount, \$27.6 million is due to other governments, \$35.9 million is general obligation bonds, and \$22.9 million is revenue bonds for the water, sewer and storm utilities. The City currently maintains a rating of Aa3 with Moody's and a rating of AA with Standard & Poor's for its general obligation debt.

The following schedule summarizes the City's bonded debt:

#### Summary of Bonded Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 30,490,000	\$ 5,360,000	\$ 35,850,000
Special assessment bonds	-	-	-
Revenue bonds	-	22,930,000	22,930,000
Due to other governments	\$ 27,580,850	-	27,580,850
	<u>\$ 58,070,850</u>	<u>\$ 28,290,000</u>	<u>\$ 86,360,850</u>

Below is a summary of additional, non-bonded long-term debt of the City:

#### Other Long-Term Debt

Public Works Trust Fund loans	\$ 9,491,810
Employee leave benefits	2,697,105
Other Post Employment Benefits	3,096,167
	<u>\$ 15,285,082</u>

Washington State law limits the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed value. Of the 7.5% limit, 2.5% is for general purposes, 2.5% is for open spaces/parks, and 2.5% is for utilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of assessed valuation. Following is a summary of the City's legal debt limitations and capacity:

**Summary of Legal Debt Limit and Capacity**

<b>With a Vote</b>	<u>Legal Limitation</u>	<u>Auburn Capacity</u>
General	\$ 179,996,328	\$ 114,579,017
Open spaces/parks	179,996,328	179,996,328
Utilities	179,996,328	179,996,328
Totals	<u>\$ 539,988,985</u>	<u>\$ 474,571,674</u>
<b>Without a Vote</b>		
General	\$ 107,997,797	\$ 42,580,486
Totals	<u>\$ 107,997,797</u>	<u>\$ 42,580,486</u>

Additional information can be found in note 9 and in the statistical section of this report.

**Economic Factors**

The short-term outlook for the City continues to be guarded as the pace of the regional economic recovery remains very gradual. While real estate activity has increased, consumer concerns over persistently high unemployment continue to cast a long shadow over the broader pace of the economy. In the longer-term, the economic outlook for the City remains positive. The City has made significant investments in the community, including completion of major redevelopment of the City Hall Plaza, Promenade, and opening of the Activity Center. City retail activity is improving, paralleling the trend seen regionally and nationally. However, as discussed above, this improvement has been very gradual.

Recent significant development in the City includes:

- Redevelopment of several blocks (4+) in downtown near the Transit Station valued at \$240 million. This area, commonly referred to as the Promenade, was selected by the State as a demonstration project for the State Local Revitalization Fund (LRF). Under the LRF program, the City will receive up to \$250,000 a year that will support approximately \$7.2 million in infrastructure improvements in this area. This project will also be supported by a \$3.0 million Economic Development Administration grant.
- Issuance of 38 commercial and 229 residential building permits with a total construction valuation of \$54.5 million. The number of commercial and residential building permits increased over the same period, reflecting historically low interest rates and increased building activity. As the economy strengthens, the numbers of commercial and residential building permits are expected to increase.
- Construction of the "M" Street Grade Separation project. This major project will provide for grade separation of M Street and the railroad crossing, allowing for improved traffic flow and vehicular and pedestrian safety.
- Other significant improvements include upgrading the existing utility Supervisory Control and Data Acquisition (SCADA) system, also known as Telemetry. This upgrade will improve control of water, sewer and storm water utility facilities. Other utility improvements include various water and sewer pump station replacements.

The City continues to adjust its current expenditure budget and to closely monitor its financial performance in order to live within its means. While the economic recession ended in late 2009, municipal revenues are expected to remain relatively low in the near term. In the longer term, the City's financial performance is expected to continue to improve as the combined effects of the economic recovery and community investments are expected to take hold.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Auburn's finances for readers with an interest in the City's finances. Questions concerning this report, or requests for additional information, may be addressed to the Finance Director, City of Auburn, 25 West Main Street, Auburn WA 98001-4998.



## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City presents two government-wide financial statements.

### **The Statement of Net Assets**

This statement provides information all on city assets and liabilities, with the difference between the two reported as net assets.

### **The Statement of Activities**

This statement is focused on both the gross and net cost of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues.



**City of Auburn, Washington**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents (Note 3)	\$ 36,959,478	\$ 25,584,935	\$ 62,544,413
Investments (Note 3)	6,012,980	4,001,502	10,014,482
Receivables			
Taxes	427,367	-	427,367
Customer Accounts	507,197	4,944,424	5,451,621
Other Receivables	3,594,895	6,816	3,601,711
Special Assessments	577,602	-	577,602
Due From Other Governmental Units (Note 6)	3,429,678	498,949	3,928,627
Internal Balances	(91,083)	91,083	-
Materials and Supplies Inventory	118,029	211,945	329,974
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents (Note 3)	8,557,006	12,008,627	20,565,633
Due From Other Governmental Units (Note 6)	2,339,377	-	2,339,377
Permanently Restricted:			
Cash and Cash Equivalents (Note 3)	1,449,220	-	1,449,220
Prepays	1,207,222	-	1,207,222
Long-Term Contracts and Notes	576,644	985,499	1,562,143
Net Pension Asset (Note 10)	273,773	-	273,773
Investment in Joint Ventures (Note 15)	35,493,897	-	35,493,897
Depreciable Capital Assets (Net of Accumulated Depreciation) (Note 7)	242,201,482	165,564,503	407,765,985
Non-Depreciable Capital Assets (Note 7)	131,120,231	29,826,391	160,946,622
<b>Total Assets</b>	<u>474,754,995</u>	<u>243,724,674</u>	<u>718,479,669</u>
<b>LIABILITIES:</b>			
Accounts Payable	6,663,577	2,886,957	9,550,534
Other Liabilities Payable	410,509	-	410,509
Municipal Court Payable	586,735	-	586,735
Payable From Restricted Assets:			
Accrued Interest	-	1,358,940	1,358,940
Deposits	-	128,543	128,543
Deferred Revenue	1,585,239	887,330	2,472,569
Bonds and Other Debt Payable:			
Due Within One Year (Note 9)	2,424,645	1,808,243	4,232,888
Due in More Than One Year (Note 9)	31,985,108	35,687,163	67,672,271
Due to Other Governmental Units:			
Due Within One Year (Note 9)	201,000	-	201,000
Due in More Than One Year (Note 9)	27,379,850	-	27,379,850
Net OPEB Obligation (Note 11)	3,096,167	-	3,096,167
<b>Total Liabilities</b>	<u>74,332,830</u>	<u>42,757,176</u>	<u>117,090,006</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	340,941,112	166,289,542	507,230,654
Restricted for:			
Capital Projects	11,619,999	-	11,619,999
Nonexpendable Permanent Endowment	1,449,220	-	1,449,220
Debt Service	54,717	3,742,596	3,797,313
Tourist Promotion	93,412	-	93,412
Drug Investigation and Enforcement	948,619	-	948,619
Community Development Block Grant Program	43,397	-	43,397
Central Business District Development	21,599	-	21,599
Rate Stabilization	-	411,386	411,386
Unrestricted Net Assets	45,250,090	30,523,974	75,774,064
<b>Total Net Assets</b>	<u>\$ 400,422,165</u>	<u>\$ 200,967,498</u>	<u>\$ 601,389,663</u>

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

City of Auburn, Washington  
**STATEMENT OF ACTIVITIES**  
 For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b><u>FUNCTIONS / PROGRAMS:</u></b>				
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 8,581,829	\$ 1,010,911	\$ 38,889	\$ 406,321
Public Safety	27,320,805	3,867,013	1,350,707	52,148
Transportation	12,123,615	1,042,147	94,981	15,198,550
Physical Environment	2,327,911	103,590	-	2,021,411
Culture and Recreation	7,606,584	1,182,688	220,133	1,392,432
Economic Environment	3,135,984	2,294,916	20,001	659,278
Health and Human Resources	619,172	7,528	-	-
Interest on Long-Term Debt	1,685,055	-	-	-
	<u>63,400,955</u>	<u>9,508,793</u>	<u>1,724,711</u>	<u>19,730,140</u>
Business-Type Activities				
Water	8,961,736	9,008,830	-	2,458,649
Sanitary Sewer	18,852,402	16,667,149	-	7,329,252
Storm Drainage	6,752,021	6,938,375	-	6,193,834
Solid Waste	9,957,943	9,654,719	116,735	-
Golf Course	1,903,836	1,388,842	-	-
Nonmajor Business-Type Activities	2,010,776	1,387,573	-	-
	<u>48,438,714</u>	<u>45,045,488</u>	<u>116,735</u>	<u>15,981,735</u>
<b>Total Primary Government</b>	<b>\$ 111,839,669</b>	<b>\$ 54,554,281</b>	<b>\$ 1,841,446</b>	<b>\$ 35,711,875</b>

General Revenues:

- Taxes:
  - Property
  - Retail Sales and Use
  - Interfund Utility
  - Utility
  - Excise
  - Other
- Investment Earnings
- Other Revenues
- Gain on Sale of Capital Assets
- Contributions to Endowment Funds
- Transfers (Note 5)
- Total General Revenues

Change in Net Assets

- Net Assets - Beginning
- Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
\$ (7,125,708)	\$ -	\$ (7,125,708)
(22,050,937)	-	(22,050,937)
4,212,063	-	4,212,063
(202,910)	-	(202,910)
(4,811,331)	-	(4,811,331)
(161,789)	-	(161,789)
(611,644)	-	(611,644)
(1,685,055)	-	(1,685,055)
<u>(32,437,311)</u>	<u>-</u>	<u>(32,437,311)</u>
-	2,505,743	2,505,743
-	5,143,999	5,143,999
-	6,380,188	6,380,188
-	(186,489)	(186,489)
-	(514,994)	(514,994)
-	(623,203)	(623,203)
-	12,705,244	12,705,244
<u>\$ (32,437,311)</u>	<u>\$ 12,705,244</u>	<u>\$ (19,732,067)</u>
\$ 15,204,611	\$ -	\$ 15,204,611
16,213,244	-	16,213,244
2,948,297	-	2,948,297
9,049,689	-	9,049,689
1,859,738	-	1,859,738
4,644,909	-	4,644,909
224,593	101,694	326,287
208,876	2,584,004	2,792,880
522,264	-	522,264
44,829	-	44,829
(483,107)	483,107	-
<u>50,437,943</u>	<u>3,168,805</u>	<u>53,606,748</u>
18,000,632	15,874,049	33,874,681
<u>382,421,533</u>	<u>185,093,449</u>	<u>567,514,982</u>
<u>\$ 400,422,165</u>	<u>\$ 200,967,498</u>	<u>\$ 601,389,663</u>

## MAJOR GOVERNMENTAL FUNDS

### ***General Fund***

The general fund accounts for all of the City's financial resources except those required by statute or generally accepted accounting principles to be accounted for in another fund. As is the case with most municipalities, the general fund is the largest and most important accounting entity of the City. As noted in the statements that follow, the general fund receives the bulk of its revenues from local taxes, followed by State shared revenues, service charges, and other income.

The general fund is accounted for on a modified accrual basis. Biennial budgets are adopted with appropriations lapsing at the end of each year of the biennium.

### **Arterial Street Fund**

This fund is partially supported by the State of Washington's motor vehicle fuel tax and is used for major street construction.

### **Capital Improvement Projects Fund**

This fund accounts for major capital acquisitions, and streets and parks construction projects.

City of Auburn, Washington  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 December 31, 2011

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 17,756,328	\$ 582,637	\$ 6,165,058	\$ 11,165,332	\$ 35,669,355
Investments (Note 3)	4,006,860	-	-	-	4,006,860
Receivables:					
Taxes	427,367	-	-	-	427,367
Customer Accounts	64,653	111,883	-	306,353	482,889
Other Receivables	3,248,697	-	-	342,742	3,591,439
Special Assessments	-	-	-	577,602	577,602
Interfund Receivable (Note 5)	350,000	-	-	-	350,000
Long-Term Notes and Contracts	-	-	576,644	-	576,644
Due From Other Governmental Units (Note 6)	1,487,680	2,215,759	26,947	1,906,646	5,637,032
Prepays	-	-	-	4,320	4,320
Total Assets	<u>\$ 27,341,585</u>	<u>\$ 2,910,279</u>	<u>\$ 6,768,649</u>	<u>\$ 14,302,995</u>	<u>\$ 51,323,508</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Current Payables	\$ 3,897,510	\$ 698,188	\$ 27,518	\$ 1,180,874	\$ 5,804,090
Customer Deposits	249,212	-	-	-	249,212
Municipal Court Payable	586,735	-	-	-	586,735
Other Liabilities Payable	544	-	-	-	544
Deferred Revenue	1,332,089	428,393	576,644	580,202	2,917,328
Total Liabilities	<u>6,066,090</u>	<u>1,126,581</u>	<u>604,162</u>	<u>1,761,076</u>	<u>9,557,909</u>
Fund Balances: (Note 1)					
Nonspendable				1,453,540	1,453,540
Restricted	-	1,783,698	3,886,283	7,111,762	12,781,743
Committed	-	-	-	3,134,449	3,134,449
Assigned	7,082,130	-	2,278,204	842,168	10,202,502
Unassigned	14,193,365	-	-	-	14,193,365
Total Fund Balances:	<u>21,275,495</u>	<u>1,783,698</u>	<u>6,164,487</u>	<u>12,541,919</u>	<u>41,765,599</u>
Total Liabilities and Fund Balances	<u>\$ 27,341,585</u>	<u>\$ 2,910,279</u>	<u>\$ 6,768,649</u>	<u>\$ 14,302,995</u>	<u>\$ 51,323,508</u>

Total governmental fund balances as reported on this statement \$ 41,765,599

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. 367,616,387

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Prepays	1,202,902	
Interest receivable on investments	1,817	
Unearned revenue beyond the city's 30-day measurable and available period	1,332,089	
Deferred charges for bond issue costs	<u>42,118</u>	2,578,926

Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets. 17,800,118

Certain Joint Ventures activities do not use or provide current financial resources but increase net assets. 7,913,047

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds and loans payable	(32,422,719)	
Interest payable	(157,528)	
Net pension asset	273,773	
Net other postemployment obligations	(3,096,167)	
Compensated absences payable	<u>(1,849,271)</u>	(37,251,912)

Net assets of government activities as reported on the statement of net assets \$ 400,422,165

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

City of Auburn, Washington  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2011

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property	\$ 12,566,894	\$ -	\$ -	\$ 2,116,435	\$ 14,683,329
Retail Sales & Use	15,931,115	-	-	282,129	16,213,244
Interfund Utility	2,527,112	-	-	421,185	2,948,297
Utility	7,336,455	-	-	1,713,234	9,049,689
Excise	307,517	-	1,487,163	65,058	1,859,738
Other	-	-	-	58,678	58,678
Licenses and Permits	1,769,516	-	-	-	1,769,516
Intergovernmental	5,416,572	7,274,120	-	3,483,457	16,174,149
Charges for Services	1,663,039	-	-	1,275,776	2,938,815
Fines and Forfeitures	1,940,326	-	-	-	1,940,326
Special Assessments	-	-	-	32,972	32,972
Investment Earnings	115,589	1,730	58,622	61,115	237,056
Miscellaneous	537,995	212,883	32,866	1,538,836	2,322,580
Total Revenues	<u>50,112,130</u>	<u>7,488,733</u>	<u>1,578,651</u>	<u>11,048,875</u>	<u>70,228,389</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	8,307,037	-	-	3,000	8,310,037
Security of Persons and Property	26,688,265	-	-	711,141	27,399,406
Physical Environment	2,290,328	-	-	-	2,290,328
Transportation	2,754,212	9,788,116	-	3,516,828	16,059,156
Economic Environment	2,309,476	-	-	829,114	3,138,590
Health and Human Services	616,717	-	-	-	616,717
Culture and Recreation	6,917,998	-	-	625	6,918,623
Debt Service:					
Principal	210,263	80,383	-	917,866	1,208,512
Interest and Other Costs	32,591	7,234	-	1,721,509	1,761,334
Capital Outlay	-	-	174,890	8,423,054	8,597,944
Total Expenditures	<u>50,126,887</u>	<u>9,875,733</u>	<u>174,890</u>	<u>16,123,137</u>	<u>76,300,647</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,757)</u>	<u>(2,387,000)</u>	<u>1,403,761</u>	<u>(5,074,262)</u>	<u>(6,072,258)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of Capital Assets	1,379	-	1,329,713	-	1,331,092
Insurance Recoveries	154,200	-	-	-	154,200
Transfers In (Note 5)	1,078,439	2,403,354	378	3,928,755	7,410,926
Transfers Out (Note 5)	(1,058,152)	-	(3,694,290)	(1,489,891)	(6,242,333)
Total Other Financing Sources and Uses	<u>175,866</u>	<u>2,403,354</u>	<u>(2,364,199)</u>	<u>2,438,864</u>	<u>2,653,885</u>
Net Change in Fund Balances	<u>161,109</u>	<u>16,354</u>	<u>(960,438)</u>	<u>(2,635,398)</u>	<u>(3,418,373)</u>
Fund Balances - Beginning	21,114,386	1,767,344	7,124,925	15,177,317	45,183,972
Fund Balances - Ending	<u>\$ 21,275,495</u>	<u>\$ 1,783,698</u>	<u>\$ 6,164,487</u>	<u>\$ 12,541,919</u>	<u>\$ 41,765,599</u>

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

City of Auburn, Washington  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**  
 For the Year Ended December 31, 2011

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance	\$	(3,418,373)
Amount reported as change in net assets in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$21,733,898) exceeded depreciation (\$10,651,227) in the current period.		11,082,671
Certain Capital and Joint Venture activities do not use or provide current financial resources but increase net assets.		642,847
Governmental funds report proceeds from sales of assets as other financing sources while the Statement of Activities reports only the gain or loss on sale of capital assets		(802,512)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue	1,332,089	
Other	54,676	
Amortization of bond premium	37,868	
Investment interest receivable	<u>(9,382)</u>	
		1,415,251
Developer contributions and annexation of infrastructure assets are reported as revenue in the statement of activities, but do not provide current financial resources and are not reported as fund revenue.		9,419,065
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net assets.		1,175,646
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(631,667)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of debt issue costs	(15,969)	
Amortization of prepaid expenses	(109,355)	
Change in accrued interest payable	7,936	
Change in net pension obligation	273,773	
Change in net other postemployment benefits	(1,027,327)	
Change in compensated absences payable	<u>(11,354)</u>	
		(882,296)
Change in net assets on the Statement of Activities	<u>\$</u>	<u>18,000,632</u>

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

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 12,022,340	\$ 12,022,340	\$ 12,566,894	\$ 544,554
Retail Sales & Use	17,089,200	17,089,200	15,931,115	(1,158,085)
Interfund Utility	2,522,800	2,522,800	2,527,112	4,312
Utility	7,008,110	7,008,110	7,336,455	328,345
Excise	721,500	721,500	307,517	(413,983)
Licenses and Permits	1,129,000	1,129,000	1,769,516	640,516
Intergovernmental	3,841,685	3,541,135	5,416,572	1,875,437
Charges for Services	1,804,100	1,810,100	1,663,039	(147,061)
Fines and Forfeitures	2,208,500	2,208,500	1,940,326	(268,174)
Investment Earnings	110,000	110,000	86,851	(23,149)
Miscellaneous	348,200	356,880	537,995	181,115
Total Revenues	<u>48,805,435</u>	<u>48,519,565</u>	<u>50,083,392</u>	<u>1,563,827</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	9,261,800	9,349,970	8,307,037	1,042,933
Security of Persons and Property	28,455,330	29,218,520	26,688,265	2,530,255
Physical Environment	2,415,200	2,400,460	2,290,328	110,132
Transportation	3,223,130	3,166,460	2,754,212	412,248
Economic Environment	2,244,580	2,357,410	2,309,476	47,934
Health and Human Services	713,410	713,250	616,717	96,533
Culture and Recreation	7,208,370	7,275,460	6,917,998	357,462
Debt Service	392,200	392,200	242,854	149,346
Total Expenditures	<u>53,914,020</u>	<u>54,873,730</u>	<u>50,126,887</u>	<u>4,746,843</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(5,108,585)</u>	<u>(6,354,165)</u>	<u>(43,495)</u>	<u>6,310,670</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of Capital Assets	-	-	1,379	1,379
Insurance Recoveries	25,000	30,500	154,200	123,700
Transfers In (Note 5)	1,033,468	1,078,439	1,078,439	-
Transfers Out (Note 5)	(1,225,300)	(623,200)	(334,807)	288,393
Total Other Financing Sources and Uses	<u>(166,832)</u>	<u>485,739</u>	<u>899,211</u>	<u>413,472</u>
Net Change in Fund Balances	<u>(5,275,417)</u>	<u>(5,868,426)</u>	<u>855,716</u>	<u>6,724,142</u>
Fund Balances - Beginning	11,763,355	15,382,354	15,382,354	-
Fund Balances - Ending	<u>\$ 6,487,938</u>	<u>\$ 9,513,928</u>	<u>\$ 16,238,070</u>	<u>\$ 6,724,142</u>

**RECONCILIATION OF PERSPECTIVE DIFFERENCE BETWEEN BUDGETARY INFORMATION AND  
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP):**

The Cumulative Reserve Fund is combined with  
the General Fund for purposes of GASB Statement 54

5,037,425

Fund Balance - Ending (GAAP)

\$ 21,275,495

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

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ARTERIAL STREET FUND**

For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Intergovernmental	\$ 10,117,000	\$ 11,329,100	\$ 7,274,120	\$ (4,054,980)
Investment Earnings	4,000	4,000	1,730	(2,270)
Miscellaneous	-	-	212,883	212,883
Total Revenues	<u>10,121,000</u>	<u>11,333,100</u>	<u>7,488,733</u>	<u>(3,844,367)</u>
<b>EXPENDITURES:</b>				
Transportation	<u>13,240,600</u>	<u>16,467,430</u>	<u>9,788,116</u>	<u>6,679,314</u>
Total Expenditures	<u>13,328,300</u>	<u>16,555,130</u>	<u>9,875,733</u>	<u>6,679,397</u>
<b>Excess (Deficiency) of Revenues Over (Under Expenditures)</b>	<u>(3,207,300)</u>	<u>(5,222,030)</u>	<u>(2,387,000)</u>	<u>2,835,030</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	<u>3,089,200</u>	<u>4,297,630</u>	<u>2,403,354</u>	<u>(1,894,276)</u>
Total Other Financing Sources and Uses	<u>3,089,200</u>	<u>4,297,630</u>	<u>2,403,354</u>	<u>(1,894,276)</u>
Net Change in Fund Balances	<u>(118,100)</u>	<u>(924,400)</u>	<u>16,354</u>	<u>940,754</u>
Fund Balances - Beginning	383,118	1,767,344	1,767,344	-
Fund Balances - Ending	<u>\$ 265,018</u>	<u>\$ 842,944</u>	<u>\$ 1,783,698</u>	<u>\$ 940,754</u>

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



## MAJOR PROPRIETARY FUNDS

### ENTERPRISE FUNDS

The City's enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations. The goods and services these funds provide to the general public are primarily financed by service charges. Enterprise funds are self-supporting and use the accrual method of accounting. Auburn has five major enterprise funds.

#### **The Water Fund**

This fund accounts for all maintenance, construction, and debt service requirements associated with the water system.

#### **The Sanitary Sewer Fund**

This fund accounts for maintenance, construction, and debt requirements for Auburn's sanitary sewer system.

#### **The Storm Drainage Fund**

This fund accounts for the maintenance, construction and debt service requirements of Auburn's storm drainage system.

#### **The Solid Waste Fund**

Garbage collection services for the City are accounted for in this fund, supported almost entirely by garbage collection fees. Expenses include payment to the City's garbage contractor and other service charges.

#### **The Golf Course Fund**

Accounts for services, maintenance, and operations associated with the Auburn Municipal Golf Course.

City of Auburn, Washington  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
 December 31, 2011

	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Golf Course	Non-Major Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
<b>ASSETS:</b>								
Current Assets								
Cash and Cash Equivalents	\$ 9,105,059	\$ 7,855,899	\$ 6,693,599	\$ 264,500	\$ 469,378	\$ 1,196,500	\$ 25,584,935	\$ 11,296,349
Investments	2,004,940	1,996,562	-	-	-	-	4,001,502	2,006,120
Restricted Cash:								
Bond Payments	974,099	307,299	357,864	-	-	-	1,639,262	-
Customer Deposits	20,633	44,053	-	-	-	63,856	128,542	-
Other	6,280,141	1,831,850	2,128,832	-	-	-	10,240,823	-
Customer Accounts	895,871	1,971,772	855,486	1,201,924	19,371	-	4,944,424	24,308
Other Receivables	6,716	100	-	-	-	-	6,816	1,639
Due From Other Governmental Units	-	15,721	444,779	38,449	-	-	498,949	132,023
Inventories	187,286	7,147	7,299	-	-	10,213	211,945	118,029
Total Current Assets	19,474,745	14,030,403	10,487,859	1,504,873	488,749	1,270,569	47,257,198	13,578,468
Noncurrent Assets								
Long-Term Contracts and Notes	-	983,400	-	-	-	2,099	985,499	-
Capital Assets:								
Land	897,971	1,695,023	5,686,254	-	2,229,636	3,996,179	14,505,063	-
Buildings and Equipment	2,436,120	1,171,259	201,254	496,617	6,620,690	3,603,304	14,529,244	16,251,477
Improvements Other Than Buildings	90,393,469	80,984,120	50,815,888	-	3,023,053	9,684,043	234,900,573	46,591
Construction in Progress	7,331,713	4,570,300	3,403,168	-	-	16,147	15,321,328	-
Less: Accumulated Depreciation	(38,448,453)	(19,566,169)	(16,335,857)	(336,653)	(2,913,861)	(6,264,321)	(83,865,314)	(10,592,742)
Total Capital Assets (Net of A/D)	62,610,820	68,854,533	43,770,707	159,964	8,959,518	11,035,352	195,390,894	5,705,326
Total Noncurrent Assets	62,610,820	69,837,933	43,770,707	159,964	8,959,518	11,037,451	196,376,393	5,705,326
Total Assets	82,085,565	83,868,336	54,258,566	1,664,837	9,448,267	12,308,020	243,633,591	19,283,794
<b>LIABILITIES:</b>								
Current Liabilities:								
Current Payables	852,393	501,844	522,001	872,610	70,429	67,680	2,886,957	859,487
Customer Deposits	-	-	-	-	-	-	-	3,225
Interfund Payables (Note 5)	-	-	-	-	350,000	-	350,000	-
Loans Payable - Current	435,568	288,262	-	-	-	-	723,830	-
Employee Leave Benefits - Current	146,344	90,346	136,131	21,697	42,142	22,753	459,413	123,721
Revenue Bonds Payable - Current	225,700	-	79,300	-	-	-	305,000	-
General Obligation Bonds Payable - Current	-	-	-	-	215,000	105,000	320,000	-
Payable From Restricted Assets:								
Accrued Interest	762,807	317,569	278,564	-	-	-	1,358,940	-
Deposits	20,633	44,054	-	-	-	63,856	128,543	-
Total Current Liabilities	2,443,445	1,242,075	1,015,996	894,307	677,571	259,289	6,532,683	986,433
Noncurrent Liabilities								
Deferred Revenue	42,200	162,203	597,204	-	83,624	2,099	887,330	-
Employee Leave Benefits	66,429	41,011	61,793	9,849	19,130	10,328	208,540	56,160
Loans Payable	3,581,494	3,819,979	-	-	-	-	7,401,473	-
Revenue Bonds Payable	12,923,302	5,329,062	4,811,369	-	-	-	23,063,733	-
General Obligation Bonds Payable	-	-	-	-	3,522,980	1,490,437	5,013,417	-
Total Noncurrent Liabilities	16,613,425	9,352,255	5,470,366	9,849	3,625,734	1,502,864	36,574,493	56,160
Total Liabilities	19,056,870	10,594,330	6,486,362	904,156	4,303,305	1,762,153	43,107,176	1,042,593
<b>NET ASSETS:</b>								
Invested in Capital Assets, Net of Related Debt	50,498,331	60,824,782	40,145,011	159,964	5,221,539	9,439,915	166,289,542	5,705,326
Restricted for:								
Debt Service	2,200,664	731,596	810,336	-	-	-	3,742,596	-
Capital Projects	-	-	-	-	-	-	-	-
Rate Stabilization	-	-	411,386	-	-	-	411,386	-
Construction	-	-	-	-	-	-	-	-
Unrestricted:	10,329,700	11,717,628	6,405,471	600,717	(76,577)	1,105,952	30,082,891	12,535,875
Total Net Assets	\$ 63,028,695	\$ 73,274,006	\$ 47,772,204	\$ 760,681	\$ 5,144,962	\$ 10,545,867	\$ 200,526,415	\$ 18,241,201

Adjustment to reflect the consolidation of internal service funds related to enterprise funds  
 Net assets of business-type activities

441,083  
\$ 200,967,498

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

City of Auburn, Washington  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
 For the Year Ended December 31, 2011

	Water	Sanitary Sewer	Storm Drainage	Sold Waste	Golf Course	Non-Major Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
<b>OPERATING REVENUES:</b>								
Charges of Services	\$ 9,008,830	\$ 16,667,149	\$ 6,938,375	\$ 9,654,719	\$ 1,121,811	\$ 777,866	\$ 44,168,750	\$ 10,788,859
Interest	-	-	-	-	-	1,420	1,420	-
Other Operating Revenue	-	-	-	-	267,031	608,287	875,318	247,899
Total Operating Revenue	<u>9,008,830</u>	<u>16,667,149</u>	<u>6,938,375</u>	<u>9,654,719</u>	<u>1,388,842</u>	<u>1,387,573</u>	<u>45,045,488</u>	<u>11,036,758</u>
<b>OPERATING EXPENSES:</b>								
Operations & Maintenance	3,017,606	14,177,079	1,923,604	8,449,351	1,100,166	699,403	29,367,209	7,502,383
Administration	2,328,180	1,916,148	2,746,980	774,062	235,531	765,317	8,766,218	1,149,623
Depreciation / Amortization	2,080,667	1,603,210	1,278,402	18,819	321,641	451,077	5,753,816	1,276,636
Other Operating Expenses	1,111,008	1,311,789	646,871	715,711	55,535	10,988	3,851,902	-
Total Operating Expenses	<u>8,537,461</u>	<u>19,008,226</u>	<u>6,595,857</u>	<u>9,957,943</u>	<u>1,712,873</u>	<u>1,926,785</u>	<u>47,739,145</u>	<u>9,928,642</u>
Operating Income (Loss)	<u>471,369</u>	<u>(2,341,077)</u>	<u>342,518</u>	<u>(303,224)</u>	<u>(324,031)</u>	<u>(539,212)</u>	<u>(2,693,657)</u>	<u>1,108,116</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>								
Interest Revenue	56,417	20,756	20,865	591	820	2,245	101,694	41,923
Other Non-Operating Revenues	841,545	843,646	511,617	139,504	-	364,427	2,700,739	179,233
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	(6,316)
Interest Expense	(421,883)	(156,566)	(133,448)	-	(190,963)	(83,991)	(986,851)	-
Other Non-Operating Expenses	(2,392)	(1,069)	(22,716)	-	-	-	(26,177)	-
Total Non-Operating Revenue (Expense)	<u>473,687</u>	<u>706,767</u>	<u>376,318</u>	<u>140,095</u>	<u>(190,143)</u>	<u>282,681</u>	<u>1,789,405</u>	<u>214,840</u>
Income (Loss) Before Contributions & Transfers	<u>945,056</u>	<u>(1,634,310)</u>	<u>718,836</u>	<u>(163,129)</u>	<u>(514,174)</u>	<u>(256,531)</u>	<u>(904,252)</u>	<u>1,322,956</u>
Capital Contribution	2,458,649	7,329,252	6,193,834	-	-	-	15,981,735	10,537
Transfers In (Note 5)	-	-	-	-	448,607	231,300	679,907	-
Transfers Out (Note 5)	(50,000)	(50,000)	(96,800)	-	-	-	(196,800)	(1,651,700)
Change in Net Assets	<u>3,353,705</u>	<u>5,644,942</u>	<u>6,815,870</u>	<u>(163,129)</u>	<u>(65,567)</u>	<u>(25,231)</u>	<u>15,560,590</u>	<u>(318,207)</u>
Total Net Assets Beginning of Year	<u>59,674,990</u>	<u>67,629,064</u>	<u>40,956,334</u>	<u>923,810</u>	<u>5,210,529</u>	<u>10,571,098</u>	<u>184,965,825</u>	<u>18,559,408</u>
Total Net Assets End of Year	<u>\$ 63,028,695</u>	<u>\$ 73,274,006</u>	<u>\$ 47,772,204</u>	<u>\$ 760,681</u>	<u>\$ 5,144,962</u>	<u>\$ 10,545,867</u>	<u>\$ 200,526,415</u>	<u>\$ 18,241,201</u>
							15,560,590	
							Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	313,459
							Change in net assets of business-type activities	<u>\$ 15,874,049</u>

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

City of Auburn, Washington  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
 For the Fiscal Year Ended December 31, 2011

	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Golf Course	Non Major Enterprise Funds	Total	Government Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Cash Received from Users	\$ 8,990,109	\$ 16,748,432	\$ 6,433,820	\$ 9,459,196	\$ 1,394,907	\$ 1,385,926	\$ 44,412,390	\$ 11,052,282
Cash Paid to Suppliers	(2,451,985)	(14,100,479)	(1,966,400)	(8,598,307)	(509,323)	(761,748)	(28,388,242)	(5,535,660)
Cash Paid for Taxes	(1,111,008)	(1,311,789)	(646,872)	(715,711)	(55,535)	(10,988)	(3,851,903)	(3,977)
Cash Paid for Inventory	39,092	267	581	-	-	(2,454)	37,486	15,264
Cash Paid to Employees	(2,863,067)	(1,944,977)	(2,526,053)	(581,539)	(798,808)	(691,633)	(9,406,077)	(3,145,065)
Other Cash Received (Paid)	-	-	-	(244)	8,902	-	8,658	-
Net Cash Provided (Used) by Operating Activities	2,603,141	(608,546)	1,295,076	(436,605)	40,143	(80,897)	2,812,312	2,382,844
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Interfund Loan Payable	-	-	-	-	290,625	-	290,625	-
Operating Grant Received	-	48,175	233,327	132,303	-	-	413,805	(48,052)
Other Non-Operating Gain	1,391,396	3,232	6,081	22,769	-	30,235	1,453,713	13,952
Transfers In	-	-	-	-	448,607	231,300	679,907	-
Transfers Out	(50,000)	(50,000)	(96,800)	-	-	-	(196,800)	(1,651,700)
Net Cash Provided (Used) by Noncapital Financing Activities	1,341,396	1,407	142,608	155,072	739,232	261,535	2,641,250	(1,685,800)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Proceeds from Sale of Equipment	-	-	-	-	-	-	-	38,945
Purchase of Capital Assets	(6,802,711)	(3,009,072)	(2,992,155)	-	-	(392,856)	(13,196,794)	(1,142,213)
Contributed Capital	283,462	1,023,622	462,728	-	-	-	1,769,812	-
Capital Grants	-	-	211,441	-	-	334,162	545,603	63,234
Proceeds from Other Governments	162,451	117,631	151,376	-	-	-	431,458	-
Proceeds from Insurance Settlement	-	33,887	-	-	-	-	33,887	57,839
Principal Payment on Debt	(650,168)	(288,262)	(75,400)	-	(205,000)	(100,000)	(1,318,830)	-
Interest Payment on Debt	(437,929)	(154,482)	(134,502)	-	(191,058)	(76,743)	(994,714)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(7,444,895)	(2,276,676)	(2,376,512)	-	(396,058)	(235,437)	(12,729,578)	(982,195)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>								
Proceeds from Sale of Investments	1,731,607	2,009,920	2,510,325	-	-	-	6,251,852	-
Purchase of Investments	(2,000,000)	(2,000,000)	-	-	-	-	(4,000,000)	(2,000,000)
Interest Received	56,417	38,311	25,492	591	820	2,275	123,906	34,164
Net Cash Provided (Used) in Investing Activities	(211,976)	48,231	2,535,817	591	820	2,275	2,375,758	(1,965,836)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,712,334)	(2,835,584)	1,596,989	(280,942)	384,137	(52,524)	(4,900,258)	(2,250,987)
Cash and Cash Equivalents - Beginning of Year	20,092,266	12,874,685	7,583,306	545,442	85,241	1,312,880	42,493,820	13,547,336
Cash and Cash Equivalents - End of Year	\$ 16,379,932	\$ 10,039,101	\$ 9,180,295	\$ 264,500	\$ 469,378	\$ 1,260,356	\$ 37,593,562	\$ 11,296,349
<b>CASH AT END OF YEAR CONSISTS OF:</b>								
Cash and Cash Equivalents	9,105,059	7,855,899	6,693,599	264,500	469,378	1,196,500	25,584,935	11,296,349
Restricted Cash - Bond Payments	974,099	307,299	357,864	-	-	-	1,639,262	-
Restricted Cash - Customer Deposits	20,633	44,053	-	-	-	63,856	128,542	-
Restricted Cash - Other	6,280,141	1,831,850	2,128,832	-	-	-	10,240,823	-
Total Cash	\$ 16,379,932	\$ 10,039,101	\$ 9,180,295	\$ 264,500	\$ 469,378	\$ 1,260,356	\$ 37,593,562	\$ 11,296,349

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

City of Auburn, Washington  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
 For the Fiscal Year Ended December 31, 2011

	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Golf Course	Non Major Enterprise Funds	Total	Government Activities Internal Service Funds
<b>RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES</b>								
Operating Income (Loss)	\$ 471,369	\$ (2,341,077)	\$ 342,518	\$ (303,224)	\$ (324,031)	\$ (539,212)	\$ (2,693,657)	\$ 1,108,116
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>								
Depreciation	2,080,667	1,603,210	1,278,402	18,819	321,641	451,077	5,753,816	1,276,636
Asset (Increases) Decreases:								
Accounts Receivable	(7,725)	54,064	(59,776)	(195,523)	6,065	3,910	(198,985)	17,324
Miscellaneous A/R Revenue	-	-	(466,601)	-	-	-	(466,601)	-
Inventory	39,092	267	581	-	-	(2,454)	37,486	15,264
Liability Increases (Decreases):								
Accounts & Vouchers Payable	55,676	23,260	170,762	40,984	21,110	4,147	315,939	(61,070)
Deposits Payable	(10,996)	27,219	-	-	-	(5,557)	10,666	(1,800)
Wages & Benefits Payable	(6,227)	4,815	17,421	1,457	1,769	1,537	20,772	16,299
Compensated Absences Payable	(18,715)	19,696	11,769	882	4,687	5,655	23,974	12,075
Deferred Revenue	-	-	-	-	8,902	-	8,902	-
Total Adjustments	2,131,772	1,732,531	952,558	(133,381)	364,174	458,315	5,505,969	1,274,728
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,603,141</u>	<u>\$ (608,546)</u>	<u>\$ 1,295,076</u>	<u>\$ (436,605)</u>	<u>\$ 40,143</u>	<u>\$ (80,897)</u>	<u>\$ 2,812,312</u>	<u>\$ 2,382,844</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>								
Capital Assets Acquired by Contributed Capital	2,175,187	6,975,630	5,731,106	-	-	-	14,881,923	10,537
Increase (Decrease) in Fair Value of Investment	(4,940)	-	-	-	-	-	(4,940)	-
Total Non Cash Investing, Capital and Financing Activities	<u>\$ 2,170,247</u>	<u>\$ 6,975,630</u>	<u>\$ 5,731,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,876,983</u>	<u>\$ 10,537</u>

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



## FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City of Auburn as a trustee or agent for various individuals, private organizations, and other governmental units. The Fire Relief and Pension Fund is accounted for on an accrual basis. The agency fund is custodial in nature; therefore, no annual budget is adopted.

### TRUST FUNDS

#### **The Fire Relief and Pension Fund**

This fund accounts for the payment of administrative costs and benefits for retired firefighters (and beneficiaries) who were employed prior to March 1, 1970. Primary revenue sources are general property tax allocations, fire insurance premium tax, and investment interest, in accordance with actuarial recommendations.

### AGENCY FUNDS

#### **The Agency Fund**

This fund accounts for the funds over which the City is strictly a short-term custodian.

City of Auburn, Washington  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 December 31, 2011

	Fire Relief Pension Trust Fund	Agency Fund
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 2,583,916	\$ 1,448,370
Investments	89,770	-
Receivables:		
Customer Accounts	-	26,021
Interest	654	-
Total Assets	2,674,340	1,474,391
<b>LIABILITIES:</b>		
Current Payables	7,809	422,275
Due to Other Governmental Units	-	1,052,116
Total Liabilities	7,809	1,474,391
<b>NET ASSETS:</b>		
Held in Trust for Pension Benefits and Other Purposes	\$ 2,666,531	

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

City of Auburn, Washington  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

For the Year Ended December 31, 2011

	Fire Relief Pension Trust Fund
<hr/>	
<b>ADDITIONS:</b>	
Fire Insurance Premiums - Transferred from General Fund	\$ 66,375
Investment Earnings	11,427
Total Additions	<u>77,802</u>
<b>DEDUCTIONS:</b>	
Benefit Payments	168,552
Insurance Expense	7,850
Administrative Expenses	15,050
Total Deductions	<u>191,452</u>
Change in Net Assets	<u>(113,650)</u>
Net Assets - Beginning	<u>2,780,181</u>
Net Assets - Ending	<u><u>\$ 2,666,531</u></u>

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



City of Auburn

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Auburn, King County, Washington, was incorporated in 1891. It operates under the laws of the State of Washington applicable to a Non-Charter Code City under a Mayor/Council form of government. A full-time mayor and seven part-time council members administer Auburn, all elected at-large to four-year terms. The City provides a range of municipal services authorized by state law, including water services, sanitary sewer collection, solid waste collection, storm drainage, a general aviation airport, a municipal cemetery and a municipal golf course.

The accounting and reporting policies of the City of Auburn, which conform to Generally Accepted Accounting Principles (GAAP) for governments, are regulated by the Washington State Auditor's Office. The City's significant accounting policies are described in the following notes.

**A. Reporting Entity**

In accordance with the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB) the City's Comprehensive Annual Financial Report (CAFR) includes all funds controlled by the City.

*Joint Ventures* - Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 as modified by GASB Statement No. 34, the Valley Communications Center and South Correctional Entity Facility (SCORE) are included in the accompanying government-wide statement of net assets as a joint venture. (Please refer to Notes 9 and 15).

*Jointly Governed Organizations* - The cities of Auburn, Algona and Pacific formed the Valley Regional Fire Authority (VRFA) effective January 1, 2007. The VRFA is a separate municipal corporation of the State of Washington, organized as a regional fire protection service authority under RCW 52.26. The VRFA is not financially accountable to the member cities, none of the participating cities has an ongoing financial interest in the VRFA, and the VRFA is not financially dependent upon any member city. The VRFA imposes its own property tax levy and fire benefit charge.

The government-wide financial statements consist of the government-wide statement of net assets and the government-wide statement of activities.

**B. Basic Financial Statements**

The City's basic financial statements consist of government-wide financial statements and fund financial statements. The government-wide financial statements, which include the statement of net assets and the statement of activities, summarize the entire operation of the City. The governmental fund financial statements, which include the balance sheet, statement of revenues, expenditures and changes in fund balance, and statement of revenues, expenditures and changes in fund balance budget and actual statement, provide a more detailed level of reporting. The proprietary fund financial statements, which include statement of net assets, statement of revenues, expenses, and changes in fund net assets and statement of cash flows, provide a more detailed level of reporting.

The government-wide financial statements report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been eliminated from these statements. Because governmental activities are normally supported by taxes and intergovernmental revenue, while business-type activities are generally supported through user fees and charges, governmental activities are reported separately from business-type activities on all government-wide financial statements.

The Statement of Net Assets reports the assets and liabilities of the primary government. The net asset section of this statement represents the residual amount of assets and their associated liabilities. The net asset section is divided into three categories. The first category is Invested in *Capital Assets, Net of Related Debt*, which includes all capital assets, net of accumulated depreciation, less any debt outstanding associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is *Restricted Net Assets*, which includes those assets, net of their related debt, that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is *Unrestricted Net Assets*, and this represents net assets that generally can be used for any purpose. However, they are not necessarily in a spendable form, such as cash.

The statement of activities demonstrates the degree to which the direct expenses of various functions and activities of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a function or activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items that are not properly included among function or activity revenues are instead reported as general revenues. The City does not allocate indirect expenses to functions in the statement of activities.

Separate financial statements are included for government funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. The City resources are allocated to, and accounted for in, individual funds according to the purpose for which they are spent and how they are controlled.

The *basis of accounting* refers to the timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and pension trust fund financial statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The *modified accrual basis* of accounting is followed in all governmental and permanent funds of the City. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Revenues are generally considered available if they are collected within the current period or soon enough thereafter (30 days) to pay current liabilities. For derived tax revenues, such as sales tax and utility business and occupation taxes, revenues are recognized in the period when the underlying exchange has occurred. For imposed non-exchange taxes, such as property taxes, revenues are recognized when the use of

resources is permitted, or when resources are available. Grant revenue is recognized in the period in which the expenditure occurs and the eligibility requirements have been met. Non-exchange transactions, such as contributions, are recognized when the donation eligibility requirements have been satisfied. Those specific major revenue sources accrued are:

*Property Taxes* – King County and Pierce County collect property taxes and remit to the City daily or monthly. December collections by each County, remitted in January, are recognized as revenues in current year even though received in the subsequent year since they are considered to be measurable and available. Property taxes remaining uncollected at year-end are reported as “deferred revenue”, since they are not considered to be available.

*Sales Tax Revenues* – The State of Washington collects all sales taxes. Auburn’s portion is remitted to the City by the State monthly. The sales tax received in January is recognized as revenue in current year even though received in the subsequent year because of when the underlying transaction occurred and the resources are considered to be measurable and available.

*Grant Revenues* – On cost reimbursement, grant revenue is recognized when the expenditure is incurred.

Under the modified accrual basis, expenditures are recorded when the fund liability is incurred, except for the un-matured interest and principal on general long-term debt, which is recognized when due, and for compensated absences which are recorded as expenditures when liquidated from expendable available fund resources. Purchases of capital assets from governmental funds are reported as expenditures during the year incurred and the asset is capitalized and reported on the government-wide statement of net assets. Long-term liabilities, including compensated absences not currently due and payable, are also reported on the government-wide statement of net assets.

The *accrual basis* of accounting is followed in all proprietary, agency, and pension trust funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

The three broad fund categories and nine fund types presented in this report are described below:

### **1. Governmental Fund Types**

All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities generally are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements focus on measuring cash flows rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

- a. General fund – This fund is used to account for all financial resources and transactions of the City not accounted for in another fund, as required. The general fund is always considered a major fund.
- b. Special Revenue funds – These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. One special revenue fund is considered major: the arterial street fund. This fund is partially supported by the State of Washington’s motor vehicle fuel tax and is used for major street construction.

- c. Debt Service funds – These funds account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal, interest, and related costs. These funds also include the LID guarantee fund which provides financial security for outstanding LID bonds.
- d. Capital Projects funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. One capital project fund is considered major: the capital improvement projects fund. This fund accounts for major capital acquisitions, and street and parks construction projects.
- e. Permanent funds – These funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes of supporting a specific City program.

## 2. Proprietary Fund Types

Financial statements for proprietary funds use the economic resources measurement focus and the accrual basis of accounting. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. The economic resources measurement focus is applied in the determination of financial position, net income, and cash flow.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's utility funds, other enterprise funds, and internal service funds are charges to customers for sales and services, vehicle and computer replacement, and insurance. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, or as capital contributions. Substantially all proprietary fund operating revenues are used as security for revenue bonds.

Pursuant to Statement No. 20 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has applied all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinion, and ARBs. In addition, the City applies all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

- a. Enterprise funds – These funds are used to account for services to the general public where all or most of the costs, including depreciation, are to be financed or recovered from users of such services. Five enterprise funds are considered major funds. Utilities provided to residents are accounted for in the water fund, sanitary sewer fund, storm drainage fund and the solid waste fund. The golf course fund is used to account for business operations at the City's municipal golf course.

- b. Internal Service funds – These funds are used to account for the financing of goods and services provided to other funds, departments, or governments on a cost reimbursement basis. The City uses internal service funds to account for its fleet of vehicles, its maintenance and operation of facilities, the City-wide provision of computer hardware and software services, and its insurance premiums.

### 3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include a Fire Relief and Pension Trust Fund and Agency Fund. Each fiduciary fund is classified for accounting measurement purposes as either a governmental fund or a proprietary fund.

- a. Fire Relief and Pension Trust Fund - This fund is accounted for on the accrual basis in essentially the same manner as proprietary funds since capital management is critical. Based on actuarial recommendations, there are no employee or employer contributions to the Fire Relief and Pension Plan. Pension benefits are recognized when due; plan administration costs are also recognized when incurred in this fund.
- b. Agency Fund – This fund is custodial in nature (assets equal liabilities) and does not involve a measurement of results of operations.

## D. Budget and Budgetary Accounting

The City of Auburn budgets in accordance with the Revised Code of Washington (RCW) 35A.33 for the general and special revenue funds. For governmental funds, there are no substantial differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the biennial budgeted governmental funds only. Budgets established for proprietary and trust funds are “management budgets”, and are not legally required to be reported and, as such, are not reported in the CAFR.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level; i.e., expenditures and other financing sources may not exceed budgeted appropriations at the fund level. The Mayor may authorize transfers within funds; however, the City Council must approve by ordinance any amendments that increase the total for the fund. Any unexpended appropriation balances lapse at the end of the fiscal year.

The City prepares the biennial budget on the modified accrual basis, which conforms to Generally Accepted Accounting Principles (GAAP). The CAFR includes budgetary comparisons for those governmental funds with legally adopted budgets. Budget amounts include the adopted current year budget appropriations and any revisions made during the year.

State law establishes the budget process and the time limits under which a budget must be developed. The City follows the procedures outlined below to establish its biennial budget:

1. Sixty days prior to each odd numbered fiscal year, the Mayor submits to the City Council a preliminary budget for the biennium commencing the following January 1<sup>st</sup>. The operating budget includes proposed expenditures and funding sources.

2. Public hearings are conducted at the Auburn City Council Meetings to obtain taxpayer comments.
3. Prior to December 31<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
4. The final operating budget as adopted is published and distributed after adoption. Copies of the budget are made available to the public.

#### ORIGINAL AND SUPPLEMENTAL APPROPRIATIONS

	Original Budget	Revisions	Final Budget
<b>Governmental Funds</b>			
General Fund	\$ 55,139,320	\$ 357,610	\$ 55,496,930
Total Governmental Funds	55,139,320	357,610	55,496,930
<b>Special Revenue Funds:</b>			
Local Street	\$ 2,000,000	\$ 1,399,040	\$ 3,399,040
Arterial Street	13,328,300	3,226,830	16,555,130
Hotel/Motel Tax	209,000	(15,000)	194,000
Arterial Street Preservation	1,500,000	6,000	1,506,000
Drug Forfeiture Fund	496,010	47,000	543,010
Local Law Enforcement Block Grant	16,468	(1,029)	15,439
Housing and Community Development	542,410	138,920	681,330
Recreation Trails	-	-	-
Cumulative Reserve	44,900	678,450	723,350
Total Special Revenue Funds	<b>20,870,288</b>	<b>6,324,681</b>	<b>27,194,969</b>
<b>Total Budgeted Funds</b>	<b>\$ 76,009,608</b>	<b>\$ 6,682,291</b>	<b>\$ 82,691,899</b>

## E. Assets, Liabilities, and Fund Balance

### 1. Deposits and Investments

It is the City's policy to invest all temporary cash surplus. At December 31, 2011, the Washington State Local Government Investment Pool (LGIP) was holding \$82,090,242 in short-term investments. This amount is classified on the Statement of Net Assets as cash and cash equivalents. The interest on these investments is prorated to the various funds based upon ownership of investments. For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on deposit with financial institutions in both demand and time deposit accounts, and amounts invested in the Local Government Investment Pool, administered by the State Treasurer's Office because it is operated in a manner consistent with a Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer's Office is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The City, by state law, is authorized to purchase certificates of deposit issued by Washington State depositories that participate in Washington Public Deposit Protection Commission (WPDP), U.S. Treasury and Agency securities, banker's acceptances, and repurchase agreements. The City purchases repurchase agreements only from institutions that use authorized securities for collateral. The City of Auburn also has signed a "master repurchase agreement" with its primary bank, Key Bank.

For purposes of the statement of cash flows, all proprietary fund types and similar trust funds consider all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value. Adjustments are made to cost for investments amortized over the period to maturity in accordance with GASB Statement No. 31. The investment in the state investment pool is valued at the pool's share price.

## **2. Receivables**

Taxes receivable consist of property taxes (see Note 4). Accrued interest receivable consists of amounts earned on notes and contracts at the end of the year.

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used.

Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable consist of current assessments, which are due within one year, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments, which have been levied, but are not due within one year.

Other receivables include utility taxes due from private organizations and customer accounts receivable, which consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

## **3. Interfund Receivables and Payables**

These accounts include all interfund receivables and payables. A separate schedule of interfund activity is furnished in Note 5.

## **4. Amounts Due From Other Governmental Units**

This account includes amounts due from other governments for grants, entitlements and charges for services. A schedule by fund of amounts due from other governmental units is presented in Note 6.

## **5. Inventories and Prepaid Expenses**

Government fund types recognize the cost of inventory items and prepaid expenses (expenses that benefit future periods) as expenditures in the year of purchase. In governmental funds, materials and supplies remaining at year-end are immaterial and not included in inventory. In enterprise and internal service funds, inventories are valued at cost using the weighted average costing method.

## **6. Restricted Assets**

Restricted assets: customer deposits (\$128,543), accrued interest payable (\$1,358,940), bond proceeds restricted for construction costs (\$19,078,150), nonexpendable permanent endowment for cemetery (\$1,449,220) and due from other governmental units (\$2,339,377).

## 7. Interfund Transactions

During the course of normal operations, the City has numerous transactions between City funds. Interfund services provided and used, such as buying goods and services, are recorded as revenues and expenditures. Internal service fund billings are recorded as revenues in the equipment rental fund and as expenditures in the paying fund. Transfers between funds are included as “other financing sources or uses”.

## 8. Capital Assets

Capital assets are recorded at historical cost when known or at estimated historical cost when actual costs are not known. Infrastructure, such as roads, bridges and water mains, is reported in the applicable government or business-type activities columns in the government-wide statement of net assets. All infrastructure costs have been calculated and are reported. Government-donated capital assets are stated at their market value on the date donated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investment from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Capital assets of enterprise and internal service funds are recorded at cost. The capital assets of the airport are carried at cost and include those acquired with capital contributed by the Federal Government.

Capital assets of all funds are depreciated, and are calculated on the straight-line method using estimated lives as follows:

Asset	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building	\$5,000	Straight-line	20 - 50 years
Other Improvements	\$5,000	Straight-line	10 - 50 years
Equipment/Machinery	\$5,000	Straight-line	2 - 20 years
Infrastructure	\$5,000	Straight-line	25 - 50 years
Utility Plant	\$5,000	Straight-Line	25 - 50 years

At the inception of capital leases at the government fund reporting level, the net present value of future minimum lease payments allocable to the capital asset is reflected as expenditures and an “other financing source” of an equal amount.

## 9. Compensated Absences

City employees accrue vacation leave at a variable rate based on years of service. In general, employees are allowed to accumulate vacation leave up to what would be earned in two years.

Unaffiliated employees accrue sick leave at the rate of eight hours per month up to 960 hours. Sick leave accumulations over 960 hours at year-end are paid at 25%. Sick leave is not paid upon

termination except in some instances upon separation in good standing, where employees hired before 12/31/1984 can be reimbursed at their current rate for unused sick leave up to a maximum of 960 hours, at a rate based on years of service. The City's union contracts have varied sick leave accruals and payout options.

In general, non-exempt employees can accrue up to 80 hours of compensatory time.

The City reports compensated absences as liabilities in the government-wide statement of net assets and in proprietary funds. Vacation, compensatory time, and sick leave are calculated separately for each employee using the rules described above. The reporting format is in compliance with GASB statement No. 16.

Governmental funds recognize expenditures for vacation, sick, and compensatory time when paid. Proprietary and pension trust funds recognize the expense and accrue a liability for vacation and sick leave pay as the leave is earned.

All compensated absence liabilities include salary-related payments, where applicable.

#### **10. Deferred Revenues**

This account reflects the amounts of taxes and other long-term receivables for which the revenue recognition criteria have not been met. It also reflects prepayments on accounts and grants received in advance.

#### **11. Fund Balance Components – Proprietary Funds**

In proprietary funds, net assets are generally restricted in connection with restricted assets or for legal segregation. These restrictions are identified on the statement of net assets of each fund type.

#### **12. Fund Balance Components – Governmental Funds**

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (investments, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact.
- Restricted fund balance is externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval is required to commit resources or to rescind the commitment.
- Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent of use can be expressed by City Council or by a designated official. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's policy to spend committed resources first, then assigned and unassigned, in that order.

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended December 31, 2011:

Governmental Fund Balances  
December 31, 2011

	General Fund	Major		Other Governmental Funds	Total Governmental Funds
		Arterial Street Fund	Capital Improvement Fund		
<b>Nonspendable</b>					
Prepays	\$ -	\$ -	-	\$ 4,320	\$ 4,320
Cemetery Endowment	-	-	-	1,449,220	1,449,220
Total Nonspendable	-	-	-	1,453,540	1,453,540
<b>Restricted</b>					
Major Street Construction	-	1,783,698	-	-	1,783,698
REET 1 Allowable Projects	-	-	2,406,910	-	2,406,910
REET 2 Allowable Projects	-	-	1,479,373	-	1,479,373
Parks and Trails Construction Projects	-	-	-	323,906	323,906
Fenster Levee Setback	-	-	-	159,377	159,377
Auburn Activity Center	-	-	-	193,883	193,883
Downtown Infrastructure Improvements	-	-	-	1,473,727	1,473,727
City Tourism Promotion	-	-	-	93,412	93,412
Drug Investigation and Enforcement	-	-	-	948,619	948,619
Community Development Block Grant Program	-	-	-	43,397	43,397
Recreational Trail Development	-	-	-	15,321	15,321
Downtown Business Area Improvements	-	-	-	21,599	21,599
Street and Fire Service Mitigation Fees	-	-	-	3,783,804	3,783,804
Debt Service	-	-	-	54,717	54,717
Total Restricted	-	1,783,698	3,886,283	7,111,762	12,781,743
<b>Committed</b>					
Local Street Improvements (Save our Streets)	-	-	-	1,830,080	1,830,080
Arterial Street Preservation	-	-	-	1,304,369	1,304,369
Total Committed	-	-	-	3,134,449	3,134,449
<b>Assigned</b>					
Appropriations Over Estimated Revenue	7,082,130	-	-	-	7,082,130
Downtown and Sidewalk Improvements	-	-	2,278,204	-	2,278,204
Local Street Improvements	-	-	-	155,000	155,000
Parks and Trails Construction Projects	-	-	-	107,601	107,601
School Administration Fees	-	-	-	54,348	54,348
Cemetery Capital Enhancement and Maintenance	-	-	-	107,350	107,350
Downtown Infrastructure Improvements	-	-	-	371,957	371,957
Debt Service	-	-	-	45,912	45,912
Total Assigned	7,082,130	-	2,278,204	842,168	10,202,502
<b>Unassigned</b>					
Unassigned	14,193,365	-	-	-	14,193,365
Total Unassigned	14,193,365	-	-	-	14,193,365
<b>Total Fund Balances</b>	<b>\$ 21,275,495</b>	<b>\$ 1,783,698</b>	<b>\$ 6,164,487</b>	<b>\$ 12,541,919</b>	<b>\$ 41,765,599</b>

## F. Revenues, Expenditures and Expenses

Under the modified accrual basis of accounting:

- Charges for services, interest on investments, and rents generally are considered measurable and available when earned in governmental funds.
- Taxes and federal or state entitlements or shared revenues that have been collected but not remitted by an intermediary collection agency to the City are considered measurable and available.
- Special assessments are considered measurable and available when they become due.
- Grants are considered measurable and available to the extent that expenditures have been made. Other intergovernmental revenues are considered measurable and available when earned.
- Interfund revenues for goods and services are considered measurable and available when earned.
- Proceeds from sale or loss of capital assets are recognized as other financing sources.
- Revenues from taxpayer-assessed taxes (i.e., sales tax), net of estimated refunds, are recognized when measurable and available to finance expenditures of the current period.
- All other revenues are either not measurable or considered not available until collected.
- Expenditures are generally recognized when incurred, except for principal and interest on general long-term debt, which are reported as expenditures when paid, and compensated absences, which are reported as expenditures when liquidated from expendable available financial resources.

Under the accrual basis of accounting:

- Revenues are recognized when earned and expenses are recognized when incurred.
- Contributions of capital in proprietary fund financial statements arise from internal and external contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

Transfers between government and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated, as are transfers between funds reported in the business-type activities column.

## G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City of Auburn.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

At December 31, 2011, the carrying amount of the City’s cash demand deposits with Key Bank totaled \$6,408,210 while the bank balance was \$6,768,180. In addition, there was \$93,100 in petty cash (\$10,000 in the Drug Forfeiture Fund to be used for enforcements purposes, \$7,600 in various petty cash and cashier change funds, and \$75,500 in fiduciary funds).

**Custodial Credit Risk.** Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution’s failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The City minimizes custodial credit risk by following the restrictions set forth in state law.

The Federal Deposit Insurance Corporation (FDIC) insures the City’s deposits up to \$250,000. The Washington Public Deposit Protection Commission (WPDPC) (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the WPDPC collateral pool are held by the WPDPC’s agent in the name of the collateral pool.

As required by State law, all investments of the City’s funds are obligations of the U.S. Government, or deposits with Washington State banks that participate in the WPDPC. Pension and permanent funds are not subject to these limitations. All temporary investments are stated at cost. Other investments are shown on the balance sheet at fair value. Investments that were not at par value (cost) as of December 31, 2011 are reported at fair value. The fair value of the position in the state investment pool is the same as the value of shares held by the City in the pool at amortized cost because it is operated in a manner consistent with the Securities and Exchange Commission’s Rule 2a-7 of the Investment Company Act of 1940.

During 2011, the net increase in the fair value of investments being held for more than one year is \$16,003 at year-end.

As of December 31, 2011, the City had the following investments and maturities:

Schedule of Investments by Maturities  
As of December 31, 2011

Investment Type	Fair Value	Investment maturities			
		Less than 1 year	1 to 2 years	2 to 3 years	Greater than 3 years
State investment pool	\$ 82,090,242	\$ 82,090,242	\$ -	\$ -	\$ -
US Treasuries	89,769	-	-	-	89,769
US Agencies	10,014,483	-	-	10,014,483	-
	<u>\$ 92,194,494</u>	<u>\$ 82,090,242</u>	<u>\$ -</u>	<u>\$ 10,014,483</u>	<u>\$ 89,769</u>

Reconciliation to government-wide statement of net assets:

Total investments above	\$ 92,194,494
Plus: cash in checking	6,408,210
Plus: petty cash	93,100
Less: cash investments in fiduciary funds	<u>(4,122,056)</u>
Total cash and investments, government-wide statement of net assets	<u>\$ 94,573,748</u>

Reconciliation of Cash and Investments  
Government-Wide Statement of Fund Net Assets  
As of December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 36,959,478	\$ 25,584,935	\$ 62,544,413
Investments	6,012,980	4,001,502	10,014,482
Temporarily Restricted:			
Cash and Cash Equivalents	8,557,006	12,008,627	20,565,633
Permanently Restricted:			
Cash and Cash Equivalents	1,449,220	-	1,449,220
	<u>\$ 52,978,684</u>	<u>\$ 41,595,064</u>	<u>\$ 94,573,748</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the maximum maturity of an investment to not greater than three years, unless an investment is matched to an anticipated future cash flow. The segmented time distribution presented in the schedule of investments by maturity above indicates how the City has managed its interest rate risk.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the City's investment policy limits the instruments in which the City may invest. These include:

1. United States bonds
2. United States certificates of indebtedness
3. Bonds or warrants of the State of Washington
4. General obligation or utility revenue bonds or warrants of its own or of any other city or town in the State
5. Its own bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty fund
6. Savings or time accounts in designated public depositories
7. Certificates, notes or bonds of United States agencies, or corporations wholly owned by the United States.
8. Repurchase agreements
9. Banker's acceptances
10. Federal Home Loan Bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation, or obligations of any other government sponsored corporation whose obligations are or may be eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System or any portion thereof in investment deposits as defined in RCW 39.8.010 secured by collateral in accordance with RCW 39.58
11. Interim financing warrants of local improvement districts
12. State Local Government Investment Pool

As of December 31, 2011, the City had investments in a limited number of investment instruments as follows:

- Federal Farm Credit Bank bonds
- Federal Home Loan Bank bonds
- Federal Home Loan Mortgage Corporation bonds
- Federal National Mortgage Association bonds
- U.S. Treasuries
- State Local Government Investment Pool

With the exception of the State Local Government Investment Pool, which is not rated, all of the investments above carried a rating of AAA by Standard & Poor's rating service at December 31, 2011.

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments by security type and institution. The investment policy states: "With the exception of US Treasury securities and the State Investment Pool, no more than 20% of the City's total investment portfolio will be invested in a single security type or with a single financial institution".

#### *Other information*

Effective 2002, the City has established arrangements with Bank of New York for safekeeping of all investments.

Below is a schedule of investments by fund type:

#### **Schedule of Investments by Fund Category and Investment Type** As of December 31, 2011

	State Investment Pool	U.S. Securities	Total
General Fund	\$ -	\$ 4,006,860	\$ 4,006,860
Enterprise Funds	-	4,001,503	4,001,503
Internal Service Funds	-	2,006,120	2,006,120
Fiduciary Funds	-	89,769	89,769
Treasurer's Residual Funds	82,090,242	-	82,090,242
Total	\$ 82,090,242	\$ 10,104,252	\$ 92,194,494

## **NOTE 4 – PROPERTY TAXES**

Property taxes received during tax year 2011 were \$14,683,329 including collection of prior year delinquent assessments. Property taxes assessed for collection in tax year 2011 were based on a regular tax levy of \$1.82 per \$1,000 on a total 2010 assessed value of \$7,544,294,006.

For levy year 2011, to be received in 2012, the City's regular tax levy is \$1.93 per \$1,000 on a 2011 assessed valuation of \$7,199,853,130, as of December 31, 2011, for a total regular levy of \$14,874,840. State law provides that debt cannot be incurred in excess of the following percentages of the taxable property of the City.

1.50% of assessed value without a vote of the people  
 2.50% of assessed value with a vote of the people

The City has additional authority to incur the following debt as a percentage of total valuation.

2.50% of assessed value with a vote of the people, indebtedness is for utilities  
 2.50% of assessed value with a vote of the people, indebtedness is for parks, or open space development

At December 31, 2011, the debt limits for the City were as follows:

Item	Without a Vote 1.50%	With a Vote			Total Capacity
		General Purposes 1.00%	For Utilities 2.50%	For Parks or Open Space Development 2.50%	
Legal Limit	\$ 107,997,797	\$ 71,998,531	\$ 179,996,328	\$ 179,996,328	\$ 539,988,984
Outstanding indebtedness	(70,586,606)	-	-	-	(70,586,606)
Assets available	5,169,295	-	-	-	5,169,295
Margin available	\$ 42,580,486	\$ 71,998,531	\$ 179,996,328	\$ 179,996,328	\$ 474,571,673

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior August 31. The County assesses property at 100% of fair value. A revaluation of all property is required at least once every four years and a physical inspection is required at least once every six years.

Property taxes levied by the County Assessor and collected by the County Treasurer become a lien on the first day of the levy year and may be paid in two installments if the total amount exceeds \$10. The first half of real property taxes is due on April 30 and the balance is due October 31. Delinquent taxes bear interest at the rate of 12% and are subject to additional penalties if not paid as scheduled.

At year-end, property taxes are recorded as a receivable with the portion not expected to be collected within 30 days offset by deferred revenue. In the statement of net assets, this deferred revenue is referred to as “Unearned Revenue”. During the year, property tax revenues are recognized when cash is received.

1. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.
2. Washington State law in RCW 84.55.010 limits the annual growth of regular property taxes to the lesser of 1% or the rate of inflation. With a vote of the majority of the voters within a taxing district, the 1% levy limitation can be “lifted” and additional taxes may be levied
3. The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations.

Property taxes are recorded as receivable and offset by a deferred revenue account when levied. Since state law allows for the sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

**NOTE 5 – INTERFUND ACTIVITY**

The next two tables summarize interfund activity during 2011. The first table details transfers while the second lists loan activity. Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which resources are to be expended.

Funds	Transfers	
	Transfer Out	Transfer In
Governmental funds:		
General	\$ 334,807	\$ 1,078,439
General - Cumulative reserve	723,345	-
Total general fund	1,058,152	1,078,439
Special revenue funds:		
Local street fund	-	150,000
Arterial street fund	-	2,403,354
Local Law Enforce Block Grants	15,439	-
Mitigation fees	1,433,152	-
Total special revenue funds	1,448,591	2,553,354
Debt service funds:		
1998 library GO	-	286,200
2010 A&B Annex	-	1,289,300
2010 C&D Local Rev	-	104,305
LID guarantee	10,000	-
Total debt service funds	10,000	1,679,805
Capital projects funds:		
Capital Improvement Major	3,694,290	378
Park construction Non Maj	-	1,716,950
Capital improvement projects Non Maj	-	382,000
Total capital projects funds	3,694,290	2,099,328
Proprietary funds:		
Water	50,000	-
Sewer	50,000	-
Storm drainage	96,800	-
Cemetery	-	231,300
Golf course	-	448,607
Total proprietary funds	196,800	679,907
Internal service funds:		
Facilities	644,700	-
Information services	500,000	-
Equipment rental	507,000	-
Total internal service funds	1,651,700	-
Permanent funds:		
Cemetery endowed care	31,300	-
Total	\$ 8,090,833	\$ 8,090,833

Loans between funds are classified as interfund receivable and payable. Interfund loans do not affect total fund equity.

Due From	Interfund Loans Due To	Balance 1/1/2011	New Loans	Repayments	Balance 12/31/2011
Total interfund loans		\$ 59,375	\$ 350,000	\$ 59,375	\$ 350,000

All interfund loans are considered short-term cash loans.

The purpose of the interfund loan to the Golf course Fund is to cover authorized expenditures from the Golf Course Fund.

**NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS**

As of December 31, 2011, the City had receivables due from other governmental units as follows:

<b>Due from Other Governmental Units</b>	
General Fund:	
City of Pacific	\$ 2,150
Department of Justice	114,696
King County - Real Estate Excise Taxes	159,364
King County Sheriff's - Registered Sex Offender Grant	7,763
Muckleshoot Casino	163,281
WA State Military Department - EMPG Grant	20,678
Pierce County - Real Estate Excise Taxes	4,663
WA Auto Theft Prevention Authority - Auto Theft Prevention Grant	20,330
WA State Traffic Safety - Seat belt / DUI enforcement	3,985
WA State Treasurer - Sales Taxes	<u>990,769</u>
Total General Fund	1,487,679
Arterial Street Fund:	
King County Department of Natural Resources & Parks	31,456
WA State Transportation Improvement Board - Arterial Street Imp.	695,504
City of Pacific	12,101
WA Dept. of Transportation - Arterial street imp.	<u>1,476,698</u>
Total Arterial Street Fund	2,215,759
Drug Forfeiture Fund:	
VNET	17,408
Housing & Community Development:	
U.S. Dept. of Housing - Community Development Block Grant	71,953
Municipal Park Construction:	
Green River Community College	7,310
General Government Capital Improvements:	
Pierce County - Real Estate Excise Taxes	26,947
Local Revitalization Fund:	
Department of Commerce - Economic Development Administration	1,809,975
Sewer Fund:	
2011 Storm	15,721
Storm Fund:	
King County - Land/Flood Control	211,441
Department of Ecology - Stormwater	<u>233,338</u>
Total Storm Fund	444,779
Solid Waste Fund:	
Department of Ecology - ECPG Grant	11,630
King County - Local hazardous waste management grant	19,693
King County - Waste reduction and recycling grant	<u>7,126</u>
Total solid waste fund	38,449
Facilities	
City of Federal Way - Resource Conservation Manager	19,792
VRFA - GSA Utilities	946
King County - Medic One	<u>200</u>
	20,938
Information Services Fund:	
City of Seattle	12,527
City of Pacific	4,275
VRFA	2,024
Department of Justice	<u>92,260</u>
Total Information Services Fund	111,086
Total	<u>\$ 6,268,004</u>
<b>Reconciliation to government-wide statement of net assets:</b>	
Total above due from other governmental units	6,268,004
Amount due to fiduciary fund	<u>-</u>
Total due from other governmental units, government-wide statement of net assets	<u>\$ 6,268,004</u>

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2011 is as follows:

**Schedule of Capital Asset Activity**

	Balance 1/1/11	Increases	Decreases/ Adjustments	Balance 12/31/11
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 108,083,252	\$ 1,520,461	\$ -	\$ 109,603,713
Construction in progress	13,981,035	21,516,518	(13,981,035)	21,516,518
Total capital assets, not being depreciated	122,064,287	23,036,979	(13,981,035)	131,120,231
Capital assets, being depreciated:				
Buildings	54,935,293	4,045,602	(1,036,765)	57,944,130
Improvements other than buildings	14,112,467	1,437,974	(25,321)	15,525,120
Machinery and equipment	18,974,881	1,387,471	(391,779)	19,970,573
Intangibles	1,095,684	85,561	(85,561)	1,095,684
Infrastructure	258,004,183	16,314,676	(4,171)	274,314,688
Total capital assets being depreciated	347,122,508	23,271,284	(1,543,597)	368,850,195
Less: accumulated depreciation for:				
Buildings	(9,516,704)	(1,090,917)	232,732	(10,374,889)
Improvements other than buildings	(9,513,967)	(467,815)	-	(9,981,782)
Machinery and equipment	(12,211,701)	(1,473,135)	320,158	(13,364,678)
Intangibles	(231,086)	(59,042)	-	(290,128)
Infrastructure	(83,800,282)	(8,836,954)	-	(92,637,236)
Total accumulated depreciation	(115,273,740)	(11,927,863)	552,890	(126,648,713)
Total capital assets, being depreciated, net	231,848,768	11,343,421	(990,707)	242,201,482
Governmental activities capital assets, net	<u>\$ 353,913,055</u>	<u>\$ 34,380,400</u>	<u>\$ (14,971,742)</u>	<u>\$ 373,321,713</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 14,505,063	\$ -	\$ -	\$ 14,505,063
Construction in progress	5,276,536	12,908,297	(2,863,505)	15,321,328
Total capital assets, not being depreciated	19,781,599	12,908,297	(2,863,505)	29,826,391
Capital assets, being depreciated:				
Buildings	11,308,432	-	-	11,308,432
Improvements other than buildings	216,998,085	17,902,488	-	234,900,573
Machinery and equipment	3,089,375	131,437	-	3,220,812
Total capital assets being depreciated	231,395,892	18,033,925	-	249,429,817
Less: accumulated depreciation for:				
Buildings	(4,191,865)	(382,894)	-	(4,574,759)
Improvements other than buildings	(71,234,222)	(5,292,125)	-	(76,526,347)
Machinery and equipment	(2,685,411)	(78,797)	-	(2,764,208)
Total accumulated depreciation	(78,111,498)	(5,753,816)	-	(83,865,314)
Total capital assets, being depreciated, net	153,284,394	12,280,109	-	165,564,503
Business-type activities capital assets, net	<u>\$ 173,065,993</u>	<u>\$ 25,188,406</u>	<u>\$ (2,863,505)</u>	<u>\$ 195,390,894</u>

Depreciation/amortization expense was charged to functions/programs of the City as follows:

Government activities:	
General government	\$ 752,508
Public safety	420,517
Transportation	8,960,103
Physical environment	-
Culture and recreation	518,099
Economic environment	-
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,276,636
Total depreciation/amortization expense - governmental activities	<u>\$ 11,927,863</u>
Business-type activities:	
Water	\$ 2,080,667
Sanitary sewer	1,603,210
Storm water	1,278,402
Solid waste	18,819
Golf course	321,641
Airport	393,078
Cemetery	57,999
Total depreciation expense - business-type activities	<u>\$ 5,753,816</u>

**NOTE 8 – CAPITAL LEASE OBLIGATION**

The City has the following capital lease:

One January 1, 2007 the City entered into a capital lease agreement for the Auburn Avenue Theater facility for a 15 year term. The intent is for the City's Parks, Arts and Recreation department to offer performances to the public, as well as make the facility available for short-term rentals.

**Schedule of Future Minimum Lease Payments**

	Lease Payable Theater
2012	\$ 73,950
2013	73,951
2014	73,950
2015	73,950
2016	73,950
2017-2021	369,177
Total minimum lease payments	738,928
Less: Amounts representing interest	(172,716)
Present value of future minimum lease payments	<u>\$ 566,212</u>

As of December 31, 2011, the gross value of the Auburn Theater facility acquired under the capital lease is \$695,504. Monthly lease payments of \$6,162.50 plus annual inflation adjustments based on the U.S. CPI-W index are payable through the end of the lease period on December 1, 2021. Interest on the lease was imputed at 5.55 percent.

## NOTE 9 – LONG-TERM DEBT

**General Obligation Bonds** are direct obligations of the City for which its full faith and credit are pledged. Debt service for voter-approved issues, of which the City has none, would be funded by special property tax levies. Debt service for City Council authorized bonds, also called councilmanic bonds, is funded from regular property taxes or general revenues, and is generally paid from debt service funds but can be paid from other designated funds.

General Obligation Bonds outstanding at year-end are as follows:

- 2005 Limited Tax General Obligation refunding bonds were issued to partially advance refund the 1999 Limited Tax Obligation bonds. 1999 Limited Tax General Obligation bonds were issued for construction of hangars at the Auburn Municipal Airport. The 2005 Limited Tax General Obligation refunding bonds mature in 2019 and are paid from the Airport fund.
- 2006 Limited Tax General Obligation bonds were issued to fund improvements at the Auburn Golf Course including a pro shop, clubhouse and related facilities, as well as construction of a columbarium at the Mountain View Cemetery.
- 2006 Limited Tax General Obligation (taxable) bonds were issued to construct and equip restaurant, banquet and related facilities for a restaurant facility to be located at the Auburn Golf Course clubhouse.
- 2010A Limited Tax General Obligation Improvement and Refunding bonds were issued to provide funds with which to (i) pay a portion of the costs of acquisition of certain condominium units to provide city office space near City Hall (City Hall Annex) in lieu of the City Hall Annex lease and (ii) to partially advance refund the 1998 Limited Tax General Obligation bonds. The 1998 Limited General Obligation bonds were issued for construction of a library to be owned and operated by the King County Rural Library District.

The City advance refunded the 1998 Limited Tax General Obligation bonds in 2010. The debt is considered extinguished in an in-substance defeasance and, accordingly is not reflected in the accompanying financial statements. The remaining balance of outstanding defeased debt as of December 31, 2011 is \$1,685,000.

- 2010B Limited Tax General Obligation Bonds (Taxable Build America Bonds – Direct Payment) bonds were issued to provide funds with which to pay a portion of the costs of acquisition of certain condominium units to provide city office space near City Hall (City Hall Annex) in lieu of the City Hall Annex lease.
- 2010C Limited Tax General Obligation Bonds were issued to provide funds with which to pay portion of the downtown infrastructure improvements in the City's revitalization area.
- 2010D Limited Tax General Obligation Bonds (Taxable Build America Bonds – Direct Payment) Bonds were issued to provide funds with which to pay portion of the downtown infrastructure improvements in the City's revitalization area.

**Revenue Bonds** are payable from water, sewer and storm drainage utility revenues generated by those enterprise funds.

**State of Washington Public Works Trust Fund Loans** are a direct responsibility of the City. Auburn currently has six outstanding loans with a remaining total balance of \$9,491,811. Five of the loans are being repaid from water and sewer fund revenues over a 20-year period that begins upon each project completion. The other loan is being repaid from arterial street fund revenues over a 20-year period that began in 2009 upon project completion.

**Compensated Absences** are paid by those funds that have employees. These are mostly payable by the General fund and enterprise funds.

The following schedules summarize the long-term debt transactions of the City for the year ended December 31, 2011. The first table summarizes all debt transactions for Auburn, while the second provides detailed information on all long-term debt. Additional schedules reflect total annual debt service requirements to maturity and the reconciliation of debt by fund type.

#### CHANGES IN LONG-TERM LIABILITIES SUMMARY

	General Obligation <sup>(1)</sup>	Utility	Employee Leave Benefit	Other Post Employment Benefits	Premium	Deferred Charges	Due To Other Governments	Total
Long-term debt payable 12/31/10	\$ 39,091,575	\$ 32,069,134	\$ 2,649,705	\$ 2,068,840	\$ 966,169	\$ (554,357)	\$ 27,776,850	\$ 104,067,916
Added	-	-	1,858,516	2,123,011	-	-	-	3,981,527
Retired	(1,308,856)	(1,013,831)	(1,811,116)	(1,095,684)	(83,390)	41,610	(196,000)	(5,467,267)
Long-term debt payable 12/31/11	\$ 37,782,719	\$ 31,055,303	\$ 2,697,105	\$ 3,096,167	\$ 882,779	\$ (512,747)	\$ 27,580,850	\$ 102,582,176

<sup>(1)</sup> Includes capital leases

#### DEBT SERVICE REQUIREMENT TO MATURITY

Year	General Obligation Bonds		Capital Lease Obligation		Utility Bonds/Loans		Employee Leave Benefits	Total Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal <sup>(1)</sup>	Interest
2012	\$ 1,426,000	\$ 3,553,389	\$ 43,624	\$ 30,326	\$ 1,109,213	\$ 1,284,117	\$ 1,855,051	\$ 4,433,888	\$ 4,867,832
2013	2,073,650	3,495,405	46,108	27,843	1,689,213	1,266,854	84,205	3,893,176	4,790,102
2014	2,141,500	3,423,436	48,733	25,217	1,719,213	1,232,140	84,205	3,993,651	4,680,793
2015	2,211,900	3,336,192	51,507	22,443	1,749,213	1,194,737	84,205	4,096,825	4,553,372
2016	2,075,150	3,247,736	54,440	19,510	1,789,213	1,149,511	84,205	4,003,008	4,416,757
2017-2021	10,363,950	14,879,726	321,800	47,377	9,266,329	5,002,288	421,025	20,373,104	19,929,391
2022-2026	10,792,950	12,913,577	-	-	8,458,651	3,336,466	84,208	19,335,809	16,250,043
2027-2031	11,288,100	10,278,936	-	-	6,640,766	1,058,145	-	17,928,866	11,337,081
2032-2036	12,876,050	6,669,010	-	-	-	-	-	12,876,050	6,669,010
2037-2039	8,181,600	2,257,202	-	-	-	-	-	8,181,600	2,257,202
Totals	\$ 63,430,850	\$ 64,054,609	\$ 566,212	\$ 172,716	\$ 32,421,811	\$ 15,524,258	\$ 2,697,104	\$ 99,115,977	\$ 79,751,583

<sup>(1)</sup> \$ 99,115,977 Principal debt service requirements to maturity  
3,096,167 Other Post Employment Benefits  
882,779 Premium  
(512,747) Deferred Charges  
\$ 102,582,176 Long Term Liabilities 12/31/2011

**CHANGES IN LONG-TERM LIABILITIES**

Issue Name	Interest Rates	Maturity Date	Original Amount	Principal Installments	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Due Within One Year
<b>GOVERNMENTAL DEBT</b>									
<u>General Obligation Bonds:</u>									
LTGO 2010A (1)	2.00-4.50%	12/1/2018	\$ 4,385,000	\$510,000 - \$270,000	\$ 3,875,000	\$ -	\$ (690,000)	\$ 3,185,000	\$ 705,000
LTGO 2010B (1)	3.27-6.24%	12/1/2039	20,365,000	\$535,000 - \$1,240,000	20,365,000	-	-	20,365,000	0
LTGO 2010C (1)	2.00-4.00%	12/1/2014	920,000	\$105,000 - \$215,000	815,000	-	(195,000)	620,000	200,000
LTGO 2010D (1)	3.27-6.19%	12/1/2034	6,320,000	\$220,000 - \$445,000	6,320,000	-	-	6,320,000	0
Total General Obligation Bonds			31,990,000		31,375,000	-	(885,000)	30,490,000	905,000
<u>Capital Lease:</u>									
Auburn Avenue Theater	5.55%	12/31/2021	695,504	\$5,500 - \$6,162	604,685	-	(38,473)	566,212	43,624
<u>Employee Leave Benefits:</u>									
Compensated absences			-		2,005,725	1,398,244	(1,374,817)	2,029,152	1,395,638
<u>Other Post Employment Benefits:</u>									
LEOFF 1			-		2,068,840	2,123,011	(1,095,684)	3,096,167	-
<u>Public Works Trust Fund Loans:</u>									
PWTF 2008	0.50%	7/1/2028	1,527,273	80,383	1,446,890	-	(80,383)	1,366,507	80,383
Premium Related to Debt					267,976	-	(37,868)	230,108	-
Deferred Charges Related to Debt					(288,196)	-	15,970	(272,226)	-
<b>Total Governmental</b>			<u>\$ 34,212,777</u>		<u>\$ 37,480,920</u>	<u>\$ 3,521,255</u>	<u>\$ (3,496,255)</u>	<u>\$ 37,505,920</u>	<u>\$ 2,424,645</u>
<b>BUSINESS-TYPE DEBT</b>									
<u>General Obligation Bonds:</u>									
GO refunding bond 2005 <sup>(1)</sup>	4.00-4.50%	12/1/2019	\$ 1,375,000	\$10,000 - \$190,000	\$ 1,260,000	\$ -	\$ (100,000)	\$ 1,160,000	\$ 105,000
GO bond 2006 <sup>(1)</sup>	4.25-5.00%	12/1/2025	3,275,000	\$5,000 - \$395,000	3,275,000	-	-	3,275,000	-
GO bond 2006 taxable	5.40-5.52%	12/1/2015	1,885,000	\$45,000 - \$245,000	1,130,000	-	(205,000)	925,000	215,000
Total General Obligation Bonds			6,535,000		5,665,000	-	(305,000)	5,360,000	320,000
<u>Revenue Bonds:</u>									
Utility sys refunding bonds 2005 <sup>(1)</sup>	3.00-4.75%	11/1/2016	2,765,000	\$45,000 - \$355,000	1,925,000	-	(290,000)	1,635,000	305,000
Utility sys bonds 2010 <sup>(1)</sup>	3.00-6.40%	12/1/2030	21,295,000	\$575,000 - \$1,720,000	21,295,000	-	-	21,295,000	-
Total Revenue Bonds			24,060,000		23,220,000	-	(290,000)	22,930,000	305,000
<u>Employee Leave Benefits:</u>									
Compensated absences			-		643,980	460,272	(436,299)	667,953	459,413
<u>Public Works Trust Fund Loans:</u>									
PWTF 1999	1.00%	7/1/2019	3,465,000	\$182,368	1,641,316	-	(182,368)	1,458,948	182,368
PWTF 2001	0.50%	7/1/2021	4,290,405	\$227,086	2,497,941	-	(227,086)	2,270,855	227,086
PWTF 2002	1.00%	7/1/2022	641,250	\$26,114	313,374	-	(26,115)	287,259	26,114
PWTF 2004	0.50%	7/1/2024	2,049,036	\$107,844	1,509,816	-	(107,844)	1,401,972	107,844
PWTF 2006	0.50%	7/1/2026	3,325,000	\$180,418	2,886,687	-	(180,418)	2,706,269	180,418
Total Public Works Trust Fund Loans			13,770,691		8,849,134	-	(723,831)	8,125,303	723,830
Premium Related to Debt					698,193	-	(45,522)	652,671	-
Deferred Charges Related to Debt					(266,161)	-	25,640	(240,521)	-
<b>Total Proprietary</b>			<u>\$ 44,365,691</u>		<u>\$ 38,810,146</u>	<u>\$ 460,272</u>	<u>\$ (1,775,012)</u>	<u>\$ 37,495,406</u>	<u>\$ 1,808,243</u>
<b>Total All Funds</b>			<u>\$ 78,578,468</u>		<u>\$ 76,291,066</u>	<u>\$ 3,981,527</u>	<u>\$ (5,271,267)</u>	<u>\$ 75,001,326</u>	<u>\$ 4,232,888</u>

<sup>(1)</sup> Subject to federal arbitrage compliance rules.

**Due to Other Governments**

- Valley Communication Center Public Development Authority issued General Obligation bonds in 2000 for a new dispatch facility. The City is contracted to pay 20% of the debt service of these 15-year bonds that mature in 2015. This debt is paid from the General fund.
- SCORE Public Development Authority issued General Obligation bonds in 2009 to acquire, construct, improve, and equip a consolidated correctional facility to be located in Des Moines, Washington. The city is contracted to pay 31% of the debt service of these 30 year bonds that mature in 2039. This debt is to be paid from the General fund.

## CHANGES IN LONG-TERM LIABILITIES DUE OTHER GOVERNMENTS

Issue Name	Interest Rates	Maturity Date	Original Amount	Principal Installments	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Due Within One Year
<b>GOVERNMENTAL DEBT:</b>									
<u>General Obligation Bonds:</u>									
Valley Communication Public Dev Auth	3.00-4.00%	12/1/2015	\$ 1,065,000	\$21,000 - \$220,000	\$ 1,044,000	\$ -	\$ (196,000)	\$ 848,000	\$ 201,000
SCORE Public Development Authority	3.00-6.62%	1/1/2039	26,732,850	\$593,650 - \$1,601,150	26,732,850	-	-	26,732,850	-
<b>Total General Obligation Bonds Due Other Governments</b>			<u>\$ 27,797,850</u>		<u>\$ 27,776,850</u>	<u>\$ -</u>	<u>\$ (196,000)</u>	<u>\$ 27,580,850</u>	<u>\$ 201,000</u>

## LONG-TERM LIABILITIES RECONCILIATION

	Enterprise Funds	Governmental Funds	12/31/11
Liabilities payable from restricted assets:			
Revenue bonds	\$ 2,102,537	\$ -	\$ 2,102,537
Long-term bonds payable:			
General obligation bonds	5,360,000	30,490,000	35,850,000
Capital lease	-	566,212	566,212
Revenue bonds	20,827,463	-	20,827,463
Special assessments with government commitment	-	-	-
Public Works Trust Fund loans	8,125,303	1,366,507	9,491,810
Due to Other Governments	-	27,580,850	27,580,850
Employee leave benefits	667,953	2,029,152	2,697,105
Other Post Employment Benefits	-	3,096,167	3,096,167
Premium	652,671	230,108	882,779
Deferred charges	(240,521)	(272,226)	(512,747)
Total long-term debt	<u>\$ 37,495,406</u>	<u>\$ 65,086,770</u>	<u>\$ 102,582,176</u>

## Revenue Bond Debt Service Coverage

The required debt service coverage for the 2010 utility revenue bonds and the 2005 utility revenue refunding bonds is 1.25. Debt service coverage for 2011 was 2.52. The ratio indicates the direction and degree to which the revenue stream exists to meet the current debt burden. The ratio is calculated by dividing the net revenue available by debt service requirements.

The restricted rate stabilization fund for the utility revenue bonds was established to minimize the effect on rates of revenue fluctuations between years. By transferring cash into this stabilization fund, adjusted net revenue available for debt service, as defined, would be decreased by the amount of the transfer. Conversely, transfers out of the account would increase adjusted net revenue available for debt service.

## Estimated Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt of over \$5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City's estimated rebatable arbitrage amount as of December 31, 2011 is \$0 for its tax-exempt bond issues subject to the Tax Reform Act issued through that date.

## NOTE 10 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department

of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers, and Statement 50, Pension Disclosure, an Amendment of GASB Statement No. 25 and No. 27.

## **Public Employees' Retirement System (PERS) Plans 1, 2, and 3**

### Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. AFC is the monthly average of the 24 consecutive highest paid service credit months. The retirement benefit may not exceed 60 percent of AFC. This monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is

reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

*Judicial Benefit Multiplier*

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM), enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average financial compensation. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who choose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75 percent of average financial compensation, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	<u>51,005</u>
<b>Total</b>	<b>262,285</b>

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on the member choice. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2011, were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

- \* The employer rates include the employer administrative expense fee currently set at 0.16%.
- \*\* The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
- \*\*\* Plan 3 defined benefit portion only.
- \*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
- \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%	7.25%	7.25%**
Employee	12.26%	11.60%	7.50%***

- \* The employer rates include the employer administrative expense fee currently set at 0.16%.
- \*\* Plan 3 defined benefit portion only.
- \*\*\* Minimum rate.

Both the City of Auburn and the employees made the required contributions. The City’s required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$ 26,173	\$ 1,002,132	\$ 227,334
2010	21,906	845,629	181,993
2009	49,565	1,167,042	263,837

The employer contribution rate for the City was 5.31% in 2009 and 2010, and 7.25% in 2011.

**Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plans 1 and 2**

Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included in prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

<u>Term of Service</u>	<u>Percent of Final Average Salary</u>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A Cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to but not yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Non-vested	<u>3,656</u>
<b>Total</b>	<b>27,505</b>

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* The employer rate for ports and universities is 8.62%.

Both the City of Auburn and the employees made the required contributions. The City’s required contributions for the years ended December 31 were:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2011	\$ -	\$ 459,991
2010	190	469,715
2009	189	470,102

**Public Safety Employees’ Retirement System (PSERS) Plan 2**

Plan Description

The Legislature created PSERS in 2004 and the system became effective July 1, 2006. PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

A *covered employer* is one that participates in PSERS. Covered employers include the following: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and corrections departments of Washington state cities except for Seattle, Tacoma and Spokane; and interlocal corrections agencies.

To be eligible for PSERS, an employee must work on a full-time basis and have one of the following:

- Completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job.
- Primary responsibility to ensure the custody and security of incarcerated or probationary individuals.
- Function as a Washington peace officer, as defined in RCW 10.93.020.
- Primary responsibility to supervise eligible members who meet the above criteria.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years).

PSERS Plan 2 members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan Members Entitled to but not yet Receiving Benefits	-
Active Plan Members Vested	-
Active Plan Members Non-vested	<u>4,210</u>
<b>Total</b>	<b>4,217</b>

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, were as follows:

	<u>PSERS Plan 2</u>
Employer*	8.86%
Employee	6.36%

\*The employer rate includes and employer administrative expense fee of 0.16%.

Both the City of Auburn and the employees made the required contributions. The City’s required contributions for the years ended December 31 were as follows:

	<u>PSERS Plan 2</u>
2011	\$ -
2010	55,262
2009	58,643

**City of Auburn Fire Relief and Pension Plan**

The City is the administrator of the Firemen’s Pension Plan (Plan), which is a closed, single-employer defined benefit pension plan that was established in conformance with RCW Chapters 41.16 and 41.18. This plan provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to firefighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City’s obligation under the Firemen’s Pension

Plan consists of paying all benefits, including payments to beneficiaries and healthcare, for firefighters who retired prior to March 1, 1970, and excess pension and healthcare benefits of LEOFF for covered firefighters who retired after March 1, 1970. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the Plan. The Plan does not issue a separate financial report.

Under state law, the Firemen’s Pension Plan is provided an allocation of 25% of all monies received by the state from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pension obligations. The actuary determined as of January 1, 2011 that no future City contributions would be required beyond future revenues from state fire insurance taxes and interest earnings. In 2011, \$66,375 was received from the state from taxes on fire insurance premiums. On-behalf payments of fringe benefits and salaries for the City’s employees were recognized as revenues and expenditures/expenses during the period. Administrative costs, such as City staff time and actuarial valuation costs are funded from interest earnings or City contributions.

Membership of the Firemen’s Pension Plan consisted of 14 eligible, of which 12 are receiving benefits.

**GASB STATEMENTS No. 25 and No. 27 SCHEDULE OF FUNDING PROGRESS**  
(rounded to thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities - Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 1999	\$ 2,096	\$ 2,157	\$ 60	97.17%	\$ 119	51%
January 1, 2001	3,632	2,332	(1,300)	155.75%	58	(2241%)
January 1, 2003	3,514	2,428	(1,086)	144.73%	61	(1780%)
January 1, 2005	3,160	2,172	(988)	145.00%	64	(1544%)
January 1, 2007	2,868	2,802	(66)	102.00%	-	N/A
January 1, 2009	2,941	1,878	(1,063)	157.00%	-	N/A
January 1, 2011	2,780	3,052	272	91.00%	-	N/A

This plan primarily covers inactive participants. There are no current member contributions.

**GASB STATEMENT No. 25  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending	Actual Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31, 1999	\$ 52,738	\$ 5,381	980%
December 31, 2000	31,721	5,381	590%
December 31, 2001	37,281	-	N/A
December 31, 2002	40,869	-	N/A
December 31, 2003	45,664	-	N/A
December 31, 2004	(137,783)	(91,881)	N/A
December 31, 2005	(144,746)	(78,690)	N/A
December 31, 2006	(149,327)	(78,690)	N/A
December 31, 2007	17,920	(5,048)	N/A
December 31, 2008	12,167	(5,048)	N/A
December 31, 2009	37,232	(78,233)	N/A
December 31, 2010	49,049	(78,233)	N/A
December 31, 2011	43,474	21,469	202%

**GASB STATEMENT No. 27  
THREE YEAR TREND INFORMATION**

Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset Obligation
\$ 5,520	574.66%	\$ (48,808)
341	10932.84%	(85,748)
684	5975.00%	(125,933)
1,137	4016.18%	(170,460)
(90,143)	N/A	(122,820)
(76,827)	N/A	(54,901)
(77,774)	N/A	16,652
(5,420)	N/A	(6,688)
(4,885)	N/A	(23,740)
(77,503)	N/A	(138,475)
(73,634)	N/A	(261,158)
30,859	140.88%	(273,773)

**GASB STATEMENT No. 27  
Annual Development of Pension Cost**

Fiscal Year Ending	ARC at End of Year <sup>(1)</sup>	Interest on NPO <sup>(2)</sup>	ARC Adjustment	Amort. Factor *	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO Asset Balance <sup>(3)</sup>
12/31/1999	\$ 5,381	\$ 1,742	\$ 1,874	13.28%	\$ 5,249	\$ 52,738	\$ (47,489)	\$ (22,667)
12/31/2000	5,381	(1,582)	(1,721)	13.14%	5,520	31,721	(26,201)	(48,808)
12/31/2001	-	(3,417)	(3,758)	12.99%	341	37,281	(36,940)	(85,748)
12/31/2002	-	(6,002)	(6,686)	12.83%	684	40,869	(40,185)	(125,933)
12/31/2003	-	(8,815)	(9,952)	12.65%	1,137	45,664	(44,527)	(170,460)
12/31/2004	(91,881)	(11,932)	(13,670)	12.47%	(90,143)	(137,783)	47,640	(122,820)
12/31/2005	(78,690)	(7,369)	(9,232)	13.30%	(76,827)	(144,746)	67,919	(54,901)
12/31/2006	(78,690)	(3,294)	(4,210)	13.04%	(77,774)	(149,327)	71,553	16,652
12/31/2007	(5,048)	833	1,205	13.82%	(5,420)	17,920	(23,340)	(6,688)
12/31/2008	(5,048)	(334)	(497)	13.46%	(4,885)	12,167	(17,052)	(23,740)
12/31/2009	(78,233)	(950)	(1,680)	14.13%	(77,503)	37,232	(114,735)	(138,475)
12/31/2010	(78,233)	(5,539)	(10,138)	13.66%	(73,634)	49,049	(122,683)	(261,158)
12/31/2011	21,469	(10,446)	(19,836)	13.17%	30,859	43,474	(12,615)	(273,773)

- <sup>(1)</sup> A change in consulting actuaries resulted in a recommended change in the actuarial methods and assumptions.
- <sup>(2)</sup> 8% interest rate was used for years prior to January 1, 1999; 7% 2000 - 2004; 6% 2005-2006; 5% 2007-2008; 4% thereafter.
- <sup>(3)</sup> The Net Pension Obligation (NPO) balance is reflected as part of Deferred Charges on the Government-wide Statement of Net Assets, prior to 2010.
- \* Based on 30-year level-dollar closed amortization as of January 1, 1999.

The information presented in the preceding required schedules was determined as part of the actuarial valuations at the date indicated.

Actuarial Valuation Info:

Valuation date:	January 1, 2011
Actuarial cost method:	Entry age normal
Amortization method:	30-year, closed as of January 1, 1999
Remaining amortization period:	18 years
Asset valuation method:	Fair market value

Actuarial Assumptions

Inflation rate:	2.75%
Investment rate of return:	4.0%
Projected salary increases:	3.75%
Cost-of living adjustments:	2.75%

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS**

In 2008, the city implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.

Plan Description

The city is the administrator of the LEOFF 1 employees plan covering lifetime medical care. This plan is a defined benefit healthcare plan, other post employment benefit plan (OPEB).

The city is required to pay post employment benefits in accordance with Revised Code of Washington (RCW) Chapter 41.16, all medical and long term care as long as a disability exists are covered for any active firefighter hired prior to March 1, 1970. For any retired firefighter hired prior to March 1, 1970, medical and long term care are covered at the discretion of the Retirement Board. Members retired prior to 1961 for reasons other than duty disability are not eligible for medical benefits during retirement.

In 1970, LEOFF was established by the Legislature under RCW Chapter 41.26. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. For Plan 1 members, the city is required to pay all healthcare expenses incurred by LEOFF 1 retirees. The City's cost is reduced by any amounts retirees receive from Medicare or other health plans.

#### Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements paid out of the General fund.

#### Membership

As of December 31, 2011, there were 2 active employees and 59 retirees meeting the eligibility requirements of a LEOFF 1 member. This is considered a closed group with no new members. The 2 active members are employed by VRFA which bills the City annually for their medical costs.

#### Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 21 years as of January 1, 2008. 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 for LEOFF.

Annual Required Contribution (ARC)	Fiscal Year Ending		
	12/31/2009	12/31/2010	12/31/2011
1. Annual Normal Costs at beginning of year	\$ 90,257	\$ 90,257	\$ 101,456
2. Amortization of UAAL at beginning of year	1,540,432	1,540,432	2,011,425
3. Interest to end of year	81,534	81,534	84,515
4. ARC at end of year	\$ 1,712,223	\$ 1,712,223	\$ 2,197,396
5. Interest on Net OPEB Obligation	39,660	72,339	82,754
6. Adjustment to ARC	60,618	114,014	157,139
7. Annual OPEB Cost	\$ 1,691,265	\$ 1,670,548	\$ 2,123,011
8. Employer Contributions	1,037,683	1,048,494	1,095,684
9. Change in Net OPEB Obligation	653,582	622,054	1,027,327
10. Net OPEB Obligation at beginning of year	793,204	1,446,786	2,068,840
11. Net OPEB Obligation at end of year	\$ 1,446,786	\$ 2,068,840	\$ 3,096,167

The net OPEB obligation of \$3,096,167 is included as a non-current liability on the Statement of Net Assets.

The City's annual OPEB cost, the percentage of OPEB costs contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Contributions as a Percentage of Annual OPEB Cost	Net OPEB Obligation
December 31, 2011	\$ 2,123,011	52%	\$ 3,096,167
December 31, 2010	1,670,548	63%	2,068,840
December 31, 2009	1,691,265	61%	1,446,786

#### Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$26.4 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$26.4 million.

Actuarial valuations 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.

#### Actuarial Methods and Assumptions

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

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 4.0% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Other significant assumptions are a medical inflation rate of 7.8%, dental inflation rate of 5.0% and long term care inflation rate of 4.75%.

The UAAL is being amortized on a closed basis at the assumed discount rate using the level dollar amortization method. The remaining amortization period at January 1, 2011 was 18 years.

## **NOTE 12 – ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST (“Trust”)**

### Trust Description

The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust (“Trust”), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and requires supplementary information for Trust. That report, along with a copy of the Trust document, may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

Funding Policy

The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute up to \$751.55 per month for non-Medicare enrolled retiree-only coverage, \$1,507.70 for non-Medicare enrolled retiree and spouse coverage, \$1,166.50 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$825.35 for Medicare-enrolled retiree and spouse coverage.

Participating Employers are not contractually required to contribute an assessed rate each year by the Trust for non-LEOFF 1 retirees. The retiree pays for 100% of the premium.

**NOTE 13 – CONSTRUCTION COMMITMENTS**

At December 31, 2011 the City had the following contractual obligations on construction projects:

SCHEDULE OF OUTSTANDING CONSTRUCTION OBLIGATIONS  
As of December 31, 2011

	<u>Amount Outstanding</u>
Street projects	\$ 3,024,991
Utilities projects	4,368,497
Other projects	<u>1,396,467</u>
Total commitments	<u>\$ 8,789,955</u>

**NOTE 14 – CEMETERY ENDOWED CARE FUND**

The City maintains one permanent fund known as the cemetery endowed care fund. Paid into this fund are 15% of all proceeds received from the sale of each grave, niche or crypt. This fund is irreducible in principal and no part of the income of this fund shall ever be used for purposes other than those specified upon the creation of the fund.

RCW 68.44.020 restricts the use of endowment net appreciation to endowment care “stipulated in the instrument by which the fund was established”. For the City, the instrument that established the fund is Auburn City Code section 3.04.080, and section 3.040.120 governs the use of the fund.

ACC 3.04.120 restricts net interest or income from investments to the care of the lots and in the improvement or embellishment of the cemetery or the erection or preservation of any buildings or structures, fences or walks, or for the repair, preservation, erection or renewal of any tomb, monument, grave, stone, fence, railing or other erection in or around the cemetery. The funds may also be used for planting and cultivating trees, shrubs, flowers or plants in or around the cemetery. All expenditures of income from the fund must first be authorized by the City Council.

For 2011, of the \$5,934 net appreciation on investments, all was available for expenditures. Amounts that are available for expenditure are reflected as unrestricted net assets.

## NOTE 15 – JOINT VENTURES / RELATED PARTY

### Valley Communications Center

The “Valley Communications Center” was established August 20, 1976, when an Interlocal Agreement was entered into by four participating municipal corporations: Renton, Kent, Auburn and Tukwila. The provisions and terms of the “Interlocal Cooperation Act”, pursuant to RCW 39.34, sanction the agreement. The initial duration of the agreement was five years and thereafter is automatically extended for consecutive two-year periods, unless terminated by one or more of the participating cities. Any such termination must be in writing and served upon the other cities on or before July 1 in any one year and such termination shall then become effective on the last day of such year.

On August 4, 1999 the Administration Board of Valley Communications Center voted to include the City of Federal Way as a full participating member city as of January 1, 2000. The five participating municipal corporations that include the cities of Renton, Kent, Auburn, Tukwila, and Federal Way on April 17, 2000 entered into a new Interlocal Agreement, pursuant to RCW 39.34, et seq. This agreement reaffirmed Valley Communications Center as a governmental administration agency pursuant to RCW 39.34.030 (3) (b).

The purpose of the joint operation, hereafter referred to as Valley Com, is to provide improved consolidated emergency communications (dispatch) services for police, fire and medical aid to the five participating cities and to the several subscribing agencies, which include King County Fire Districts #2, #20, #40, #43, #44, #47, Black Diamond Fire Department, Vashon Island Fire Department, City of Pacific Police and Fire Departments, City of Algona Police Department, City of Black Diamond Police Department, City of Des Moines Police Department, SeaTac Fire Department, North Highline Fire Department, and King County EMS Units. In 1988, King County Fire District #1 was annexed to the City of Tukwila. A separate agreement between Valley Com and the subscribing agencies has been executed, which set forth condition of services and rates charged.

The participating cities provide the majority of revenues to Valley Com. The method of allocating revenue source was changed in 1990 to a basis of prior year’s calls with actual first and second quarter and estimated third and fourth quarter calls. The allocation of prorated financial participation among the five participating cities is the percentage of estimated dispatched calls attributed to each jurisdiction compared to the total actual and estimated dispatched calls, for the period for January 1, through December 31. The percentages are applied to the current approved budget, less revenue from subscribing agencies and all other sources.

The 2011 cost distribution for the five participating cities is as follows:

	Dispatchable Calls	Percent of Total *
Renton	73,519	21.39%
Kent	94,760	27.57%
Auburn	66,805	19.43%
Tukwila	33,025	9.61%
Federal Way	75,628	22.00%
Total	<u>343,737</u>	<u>100.00%</u>

\* Distribution of current year net income is based on these budgeted percentages.

Valley Com is served by an Administration Board composed of the Mayors or designated representatives from the five participating cities of Renton, Kent, Auburn, Tukwila and Federal Way. The Administration Board is responsible for the following functions: 1) Budget review and recommendation to the legislative bodies of the participating cities, and budget adoption after each legislative body has approved the required financial participation for the ensuing year; 2) Approval of appointment and/or discharge of the Director; 3) Approval of personnel policy and final decisions on all major policy changes; 4) Review and approval of all contracts.

In addition, an Operations Board provides direction and consists of two members of each participating City's public safety departments, including the heads of such departments or their designees. The Operations Board performs the following functions: 1) Oversees the operation of Valley Com, advises and makes recommendations to the Administration Board; 2) Makes recommendations on Director selection; 3) Presents proposed policies and budget to the Administration Board; 4) Approves disbursement of funds by the Director.

The Director presents a proposed budget to the Operations Board on or before August 15 of each year. Said budget is then presented to the Administration Board by September 1 of each year. The Administration Board can make changes to the proposed Valley Com budget as it finds necessary, but final approval falls to the legislative body of each participating city in accordance with the provisions of the Interlocal Agreement.

In August 1993, Valley Com entered into an Interlocal Cooperation Agreement, pursuant to Chapter 39.34 RCW, with the sub-regions of King County, Seattle and Eastside Public Safety Communications Agency (EPSCA). This agreement governs the development, acquisition and installation of the 800 MHz emergency radio communications system (system) funded by the \$57 million King County levy.

This agreement provides that upon voluntary termination of any sub-region participation in the system, it surrenders its radio frequencies, relinquishes its equipment and transfers any unexpended levy proceeds and association equipment replacement reserves to another sub-region or consortium of sub-regions.

The share of equity belonging to the five participating cities is as follows:

Item	Renton	Kent	Auburn	Tukwila	Federal Way	Total
Equity Dec. 31, 2010	\$ 4,833,671	\$ 6,841,894	\$ 4,575,538	\$ 2,739,460	\$ 3,090,648	\$ 22,081,211
Current year change	163,082	210,199	148,189	73,257	167,760	762,487
Equity Dec 31, 2011	<u>\$ 4,996,753</u>	<u>\$ 7,052,093</u>	<u>\$ 4,723,727</u>	<u>\$ 2,812,717</u>	<u>\$ 3,258,408</u>	<u>\$22,843,698</u>
% of equity	21.87%	30.87%	20.68%	12.31%	14.26%	
% of 2011 distribution	21.39%	27.57%	19.43%	9.61%	22.00%	

Liabilities are the responsibility of the five participating cities in direct proportion to their equity position.

Complete audited financial statements for Valley Communications Center can be obtained from Valley Communications Center, 27519 108th Ave SE, Kent, WA 98030, or telephone 253-372-1300.

### South Correctional Entity (SCORE)

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the "Original Interlocal Agreement") was entered into by seven participating municipal governments, the "Member Cities" of Auburn, Burien, Des Moines, Federal Way,

Renton, SeaTac and Tukwila, under the authority of the “Interlocal Cooperation Act” (RCW 39.34). This “Original Interlocal Agreement” was amended and restated October 1, 2009 and named the City of Des Moines as the “Host City” and the remaining Member Cities as “Owner Cities”. This Interlocal agreement is known as the “Formation Interlocal Agreement”. Pursuant to a separate “Host City Agreement” dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Agreement.

SCORE, a governmental administrative agency pursuant to RCW 39.34.030 (3), has the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the “SCORE Facility” and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. The SCORE Facility may serve the Member Cities and Subscribing Agencies which are in need of correctional facilities. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement.

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility will be provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the “SCORE PDA”), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755 and secured by the full faith and credit of the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila (the “Owner Cities”). The SCORE PDA issued \$86 million in special obligation bonds in 2009 to carry out the facility development project. The following is a summary of the debt service requirements for the bond issue:

Summary of Debt Service Requirements											
Debt Service Schedule					Debt Service Allocation to Owner Cities						
Year	Principal	Interest	35% BABs		Auburn	Burien	Federal Way	Renton	SeaTac	Tukwila	
			Subsidy	Total	31%	4%	18%	36%	3%	8%	
2012	\$ -	\$ 5,155,732	\$ (1,675,089)	\$ 3,480,643	\$ 1,078,999	\$ 139,226	\$ 626,516	\$ 1,253,031	\$ 104,419	\$ 278,451	
2013	1,915,000	5,126,998	(1,675,089)	5,366,909	1,663,742	214,676	966,044	1,932,087	161,007	429,353	
2014	1,950,000	5,066,566	(1,654,975)	5,361,591	1,662,093	214,464	965,086	1,930,173	160,848	428,927	
2015	1,990,000	4,995,069	(1,632,787)	5,352,282	1,659,207	214,091	963,411	1,926,822	160,568	428,183	
2016	2,065,000	4,911,886	(1,632,787)	5,344,099	1,656,671	213,764	961,938	1,923,876	160,323	427,528	
2017-2021	11,545,000	22,986,907	(7,869,713)	26,662,194	8,265,280	1,066,488	4,799,195	9,598,390	799,866	2,132,976	
2022-2026	13,945,000	19,586,127	(6,994,733)	26,536,394	8,226,282	1,061,456	4,776,551	9,553,102	796,092	2,122,912	
2027-2031	17,010,000	14,723,464	(5,346,730)	26,386,734	8,179,888	1,055,469	4,749,612	9,499,224	791,602	2,110,939	
2032-2036	20,955,000	8,498,417	(3,217,063)	26,236,354	8,133,270	1,049,454	4,722,544	9,445,087	787,091	2,098,908	
2037-2039	14,860,000	1,502,494	(697,922)	15,664,572	4,856,017	626,583	2,819,623	5,639,246	469,937	1,253,166	
<b>Totals</b>	<b>\$ 86,235,000</b>	<b>\$ 92,553,660</b>	<b>\$ (32,396,888)</b>	<b>\$ 146,391,772</b>	<b>\$ 45,381,449</b>	<b>\$ 5,855,671</b>	<b>\$ 26,350,520</b>	<b>\$ 52,701,038</b>	<b>\$ 4,391,753</b>	<b>\$ 11,711,343</b>	

Note: Interest is to be paid from bond proceeds during the construction period (2010 - 2011)

The City of Auburn reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The following is condensed (unaudited) financial information as of December 31, 2011 related to SCORE:

South Correctional Entity (SCORE) 2011 Owner Cities Equity Allocation				
Member City	Percent of Equity	2010 Equity Balance	2011 Distribution	2011 Equity Balance
Auburn	31.00%	\$ 1,601,588	\$ 1,587,732	\$ 3,189,320
Burien	4.00%	206,656	204,869	411,525
Federal Way	18.00%	929,954	921,909	1,851,863
Renton	36.00%	1,859,910	1,843,818	3,703,728
SeaTac	3.00%	154,992	153,651	308,643
Tukwila	8.00%	413,313	409,737	823,050
Grand Totals	100.00%	\$ 5,166,413	\$ 5,121,716	\$ 10,288,129

Completed financial statements for SCORE and SCORE PDA can be obtained at SCORE, 20817 17<sup>th</sup> Avenue South, Des Moines, WA 98198.

Investment in Joint Ventures

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
Valley Communication Public Dev Auth	\$ 1,044,000	\$ -	\$ (196,000)	\$ 848,000
SCORE Public Development Authority	26,732,850	-	-	26,732,850
Total Due to Other Government Units	27,776,850			27,580,850
Valley Communications Center	4,575,538	148,189	-	4,723,727
South Correctional Entity (SCORE)	1,601,588	1,587,732	-	3,189,320
Total Joint Venture Capital Assets	6,177,126	1,735,921	-	7,913,047
Total Investment in Joint Ventures				<u>\$ 35,493,897</u>

**NOTE 16 – JOINTLY GOVERNED ORGANIZATION / RELATED PARTY**

Residents of the cities of Auburn, Algona and Pacific approved in the November 7, 2006 general election the creation of a regional fire authority pursuant to RCW 52.26. The new regional fire protection service authority, called the Valley Regional Fire Authority (VRFA), provides first responder fire and emergency medical services to residents of Auburn, Algona and Pacific. The VRFA is a new municipal corporation, with its own Governing Board, and is legally separate from the three cities it serves. The Governing Board of the VRFA consists of the Mayors of the three cities within the VRFA service area, as well as two Councilmembers from each city. Membership on the Governing Board is made by appointment from the city council of the respective member cities. Effective January 1, 2007, all personnel, assets, equipment and contractual obligations of the former Auburn Fire Department were transferred to the VRFA. Similar transfers were made by the cities of Algona and Pacific.

In accordance with the interlocal agreement at time of formation, each member city retained its obligation for LEOFF 1 firefighter and Fire Relief and Pension Plan obligations. During 2011 Auburn paid \$538 for the employer’s share of active LEOFF 1 firefighter medical premiums and benefit payments. Premium and benefit payments for retired LEOFF 1 firefighters for 2011 were \$218,961. Medical premiums and benefit payments made under the Fire Relief and Pension Plan for 2011 were \$147,281.

## NOTE 17 – CONTINGENCIES AND LITIGATION

As of December 31, 2011, a number of claims were pending against the City for damages and legal actions. While the outcome of these actions is uncertain, no losses are clearly anticipated at this time due to these pending claims. In the event of a liability finding against the City, it is anticipated that any potential adverse judgment against the City also would be subject to coverage under the City's comprehensive liability insurance, including public officials' errors and omission insurance and general liability insurance.

## NOTE 18 – RISK MANAGEMENT & INSURANCE

### Risk Management

The City is exposed to various risks of loss such as: theft and damage and destruction of assets, errors and omissions, injuries or property damage to others, employees' health, and natural disasters. All risk financing activities are accounted for in the Insurance internal service fund. To insure against risks of loss the City of Auburn is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 150 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy

direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

No settlement has exceeded insurance coverage over the past three years.

### **Workers' Compensation**

Title 51 RCW requires the City to ensure payment of benefits for job-related injuries and diseases through the Workers' Compensation fund or through self-insurance. The City participates in the State of Washington's Workers' Compensation program. Premiums are based on individual employer's reported payroll hours and insurance rates based on each employer's risk classification and past experience. The premium is paid by employer and employee contributions.

### **NOTE 19 – SUBSEQUENT EVENTS**

There have been no material events subsequent to December 31, 2011 to report.



## NON-MAJOR GOVERNMENTAL FUNDS

The City has four types of Non-Major Governmental Funds.

### **Special Revenue Funds**

Special revenue funds account for the proceeds of specific revenue sources and are segregated into individual funds to ensure that expenditures are made exclusively for qualified purposes. Special revenue funds are accounted for on a modified accrual basis. Biennial budgets are adopted with appropriations lapsing at year-end.

### **Debt Service Funds**

Debt service funds account for payments of principal and interest on general obligation and special assessment long-term debt.

### **Capital Project Funds**

Capital project funds account for the City of Auburn's financial resources used for the acquisition or construction of major non-proprietary capital facilities.

### **Permanent Funds**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs that are for the benefit of the City or its citizens.

City of Auburn, Washington  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENT FUNDS**  
December 31, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 8,473,910	\$ 100,629	\$ 1,034,223	\$ 1,556,570	\$ 11,165,332
Receivables:					
Special Assessments	-	577,602	-	-	577,602
Due From Other Governmental Units	89,361	-	1,817,285	-	1,906,646
Prepays	4,320	-	-	-	4,320
Total Assets	<u>\$ 8,910,333</u>	<u>\$ 678,231</u>	<u>\$ 3,157,861</u>	<u>\$ 1,556,570</u>	<u>\$ 14,302,995</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Current Payables	\$ 653,464	\$ -	\$ 527,410	\$ -	\$ 1,180,874
Deferred Revenue	2,600	577,602	-	-	580,202
Total Liabilities	<u>656,064</u>	<u>577,602</u>	<u>527,410</u>	<u>-</u>	<u>1,761,076</u>
Fund Balances:					
Nonspendable	4,320	-	-	1,449,220	1,453,540
Restricted	4,906,152	54,717	2,150,893	-	7,111,762
Committed	3,134,449	-	-	-	3,134,449
Assigned	209,348	45,912	479,558	107,350	842,168
Total Fund Balances	<u>8,254,269</u>	<u>100,629</u>	<u>2,630,451</u>	<u>1,556,570</u>	<u>12,541,919</u>
Total Liabilities and Fund Balances	<u>\$ 8,910,333</u>	<u>\$ 678,231</u>	<u>\$ 3,157,861</u>	<u>\$ 1,556,570</u>	<u>\$ 14,302,995</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENT FUNDS**  
For the Year Ended December 31, 2011

	Total Nonmajor Special Revenue	Total Nonmajor Debt Service	Total Nonmajor Capital Projects	Total Nonmajor Permanent	Total Nonmajor Governmental
<b>REVENUES:</b>					
Taxes:					
Property	\$ 2,000,000	\$ -	\$ 116,435	\$ -	\$ 2,116,435
Retail Sales & Use	-	282,129	-	-	282,129
Interfund Utility	421,185	-	-	-	421,185
Utility	1,713,234	-	-	-	1,713,234
Excise	65,058	-	-	-	65,058
Other	58,678	-	-	-	58,678
Intergovernmental	723,966	537,437	2,222,054	-	3,483,457
Charges for Services	1,211,177	-	19,770	44,829	1,275,776
Special Assessments	-	32,972	-	-	32,972
Investment Earnings	17,383	30,298	7,500	5,934	61,115
Miscellaneous	411,720	-	1,127,116	-	1,538,836
Total Revenues	<u>6,622,401</u>	<u>882,836</u>	<u>3,492,875</u>	<u>50,763</u>	<u>11,048,875</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	-	-	3,000	-	3,000
Security of Persons & Property	711,141	-	-	-	711,141
Transportation	3,516,828	-	-	-	3,516,828
Economic Environment	829,114	-	-	-	829,114
Cultural and Recreation	-	625	-	-	625
Debt Service					
Principal	-	917,866	-	-	917,866
Interest	-	1,721,509	-	-	1,721,509
Capital Outlay	-	-	8,423,054	-	8,423,054
Total Expenditures	<u>5,057,083</u>	<u>2,640,000</u>	<u>8,426,054</u>	<u>-</u>	<u>16,123,137</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>1,565,318</u>	<u>(1,757,164)</u>	<u>(4,933,179)</u>	<u>50,763</u>	<u>(5,074,262)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In (Note 5)	150,000	1,679,805	2,098,950	-	3,928,755
Transfers Out (Note 5)	(1,448,591)	(10,000)	-	(31,300)	(1,489,891)
Total Other Financing Sources (Uses)	<u>(1,298,591)</u>	<u>1,669,805</u>	<u>2,098,950</u>	<u>(31,300)</u>	<u>2,438,864</u>
Net Change in Fund Balances	<u>266,727</u>	<u>(87,359)</u>	<u>(2,834,229)</u>	<u>19,463</u>	<u>(2,635,398)</u>
Fund Balances - Beginning	7,987,542	187,988	5,464,680	1,537,107	15,177,317
Fund Balances - Ending	<u>\$ 8,254,269</u>	<u>\$ 100,629</u>	<u>\$ 2,630,451</u>	<u>\$ 1,556,570</u>	<u>\$ 12,541,919</u>



## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources and are segregated into individual funds to ensure that expenditures are made exclusively for qualified purposes. Special revenue funds are accounted for on a modified accrual basis. Annual budgets are adopted with appropriations lapsing each year of the biennium. The City has nine non-major special revenue funds.

#### **The Local Street Fund**

This fund was created when Auburn voters approved the Save Our Streets lid lift in 2004 and is used to account for all revenues and expenditures related to this initiative.

#### **Hotel/Motel Tax Fund**

This fund was created to account for the hotel/motel taxes levied to support City tourist promotion.

#### **Arterial Street Preservation Fund**

This fund was created to repair classified arterial streets and is funded from a one percent utility tax increase that was adopted by Council in 2008.

#### **Drug Forfeiture Fund**

Money seized and forfeited from drug activity is deposited in this fund to be used exclusively for drug investigation and enforcement.

#### **Local Law Enforcement Block Grant**

Accounts for police overtime relating to community oriented policing.

#### **The Housing and Community Development Fund**

Accounts for projects associated with the Community Development Block Grant program.

#### **The Recreational Trails Fund**

Created for the purpose of trail development. This is a tax-supported fund.

#### **The Business Improvement Area Fund**

Accounts for special assessments on downtown merchants for ongoing services and for improvements made to the downtown area.

#### **Mitigation Fees**

Accounts for the receipt of contracted mitigation fees for streets and fire service.

City of Auburn, Washington  
**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
 December 31, 2011

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Local Law Enforcement
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,990,703	\$ 99,858	\$ 1,016,802	\$ 1,141,413	\$ -
Due From Other Governmental Units	-	-	-	17,408	-
Prepays	-	4,320	-	-	-
Total Assets	<u>\$ 1,990,703</u>	<u>\$ 104,178</u>	<u>\$ 1,359,544</u>	<u>\$ 1,158,821</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Current Payables	\$ 5,623	\$ 3,846	\$ 55,175	\$ 210,202	\$ -
Total Liabilities	<u>5,623</u>	<u>6,446</u>	<u>55,175</u>	<u>210,202</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	4,320	-	-	-
Restricted	-	93,412	-	948,619	-
Committed	1,830,080	-	1,304,369	-	-
Assigned	155,000	-	-	-	-
Total Fund Balances	<u>1,985,080</u>	<u>97,732</u>	<u>1,304,369</u>	<u>948,619</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,990,703</u>	<u>\$ 104,178</u>	<u>\$ 1,359,544</u>	<u>\$ 1,158,821</u>	<u>\$ -</u>

Housing Community Development	Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ 25,288	\$ 15,321	\$ 27,417	\$ 4,157,108	\$ 8,473,910
71,953	-	-	-	89,361
-	-	-	-	4,320
<u>\$ 97,241</u>	<u>\$ 15,321</u>	<u>\$ 27,417</u>	<u>\$ 4,157,108</u>	<u>\$ 8,910,333</u>
\$ 53,844	\$ -	\$ 5,818	\$ 318,956	\$ 653,464
53,844	-	5,818	318,956	656,064
-	-	-	-	4,320
43,397	15,321	21,599	3,783,804	4,906,152
-	-	-	-	3,134,449
-	-	-	54,348	209,348
<u>43,397</u>	<u>15,321</u>	<u>21,599</u>	<u>3,838,152</u>	<u>8,254,269</u>
<u>\$ 97,241</u>	<u>\$ 15,321</u>	<u>\$ 27,417</u>	<u>\$ 4,157,108</u>	<u>\$ 8,910,333</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
 For the Year Ended December 31, 2011

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Local Law Enforcement Grant
<b>REVENUES:</b>					
Taxes:					
Property	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Interfund Utility	-	-	421,185	-	-
Utility	-	-	1,713,234	-	-
Excise	-	65,058	-	-	-
Other	-	-	-	-	-
Intergovernmental	-	-	-	57,589	-
Charges for Services	-	22,617	-	-	-
Investment Earnings	4,567	175	2,366	1,971	-
Miscellaneous	-	-	-	411,720	-
<b>Total Revenues</b>	<u>2,004,567</u>	<u>87,850</u>	<u>2,136,785</u>	<u>471,280</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Current:					
Security of Persons & Property	-	-	-	448,841	-
Transportation	2,232,062	-	1,284,766	-	-
Economic Environment	-	87,970	-	-	-
Total Expenditures	<u>2,232,062</u>	<u>87,970</u>	<u>1,284,766</u>	<u>448,841</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(227,495)</u>	<u>(120)</u>	<u>852,019</u>	<u>22,439</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In (Note 5)	150,000	-	-	-	-
Transfers Out (Note 5)	-	-	-	-	(15,439)
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,439)</u>
Net Change in Fund Balances	<u>(77,495)</u>	<u>(120)</u>	<u>852,019</u>	<u>22,439</u>	<u>(15,439)</u>
Fund Balances - Beginning	2,062,575	97,852	452,350	926,180	15,439
Fund Balances - Ending	<u>\$ 1,985,080</u>	<u>\$ 97,732</u>	<u>\$ 1,304,369</u>	<u>\$ 948,619</u>	<u>\$ -</u>

Housing Community Development	Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,000,000
-	-	-	-	421,185
-	-	-	-	1,713,234
-	-	-	-	65,058
-	-	58,678	-	58,678
659,277	7,100	-	-	723,966
-	-	-	1,188,560	1,211,177
-	27	69	8,208	17,383
-	-	-	-	411,720
<u>659,277</u>	<u>7,127</u>	<u>58,747</u>	<u>1,196,768</u>	<u>6,622,401</u>
-	-	-	262,300	711,141
-	-	-	-	3,516,828
659,179	-	81,965	-	829,114
<u>659,179</u>	<u>-</u>	<u>81,965</u>	<u>262,300</u>	<u>5,057,083</u>
<u>98</u>	<u>7,127</u>	<u>(23,218)</u>	<u>934,468</u>	<u>1,565,318</u>
-	-	-	-	150,000
-	-	-	(1,433,152)	(1,448,591)
-	-	-	(1,433,152)	(1,298,591)
<u>98</u>	<u>7,127</u>	<u>(23,218)</u>	<u>(498,684)</u>	<u>266,727</u>
43,299	8,194	44,817	4,336,836	7,987,542
<u>\$ 43,397</u>	<u>\$ 15,321</u>	<u>\$ 21,599</u>	<u>\$ 3,838,152</u>	<u>\$ 8,254,269</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LOCAL STREETS SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -
Investment Earnings	5,000	5,000	4,567	(433)
Total Revenues	<u>2,005,000</u>	<u>2,005,000</u>	<u>2,004,567</u>	<u>(433)</u>
<b>EXPENDITURES:</b>				
Transportation	<u>2,000,000</u>	<u>3,399,040</u>	<u>2,232,062</u>	<u>1,166,978</u>
Total Expenditures	<u>2,000,000</u>	<u>3,399,040</u>	<u>2,232,062</u>	<u>1,166,978</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>5,000</u>	<u>(1,394,040)</u>	<u>(227,495)</u>	<u>1,166,545</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balances	<u>155,000</u>	<u>(1,244,040)</u>	<u>(77,495)</u>	<u>1,166,545</u>
Fund Balances - Beginning	940,806	2,062,575	2,062,575	-
Fund Balances - Ending	<u>\$ 1,095,806</u>	<u>\$ 818,535</u>	<u>\$ 1,985,080</u>	<u>\$ 1,166,545</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HOTEL/MOTEL TAX SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Escise	\$ 60,000	\$ 60,000	\$ 65,058	\$ 5,058
Investment Earnings	300	300	175	(125)
Total Revenues	<u>106,600</u>	<u>106,600</u>	<u>87,850</u>	<u>(18,750)</u>
<b>EXPENDITURES:</b>				
Economic Environment	209,000	194,000	87,970	106,030
Total Expenditures	<u>209,000</u>	<u>194,000</u>	<u>87,970</u>	<u>106,030</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(102,400)</u>	<u>(87,400)</u>	<u>(120)</u>	<u>87,280</u>
Net Change in fund Balances	<u>(102,400)</u>	<u>(87,400)</u>	<u>(120)</u>	<u>87,280</u>
Fund Balances - Beginning	118,126	97,852	97,852	-
Fund Balances - Ending	<u>\$ 15,726</u>	<u>\$ 10,452</u>	<u>\$ 97,732</u>	<u>\$ 87,280</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ARTERIAL STREET PRESERVATION SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Interfund Utility	\$ 400,200	\$ 400,200	\$ 421,185	\$ 20,985
Utility	1,099,800	1,099,800	1,713,234	613,434
Investment Earnings	1,500	1,500	2,366	866
Total Revenues	<u>1,501,500</u>	<u>1,501,500</u>	<u>2,136,785</u>	<u>635,285</u>
<b>EXPENDITURES:</b>				
Transportation	<u>1,500,000</u>	<u>1,506,000</u>	<u>1,284,766</u>	<u>221,234</u>
Total Expenditures	<u>1,500,000</u>	<u>1,506,000</u>	<u>1,284,766</u>	<u>221,234</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,500</u>	<u>(4,500)</u>	<u>852,019</u>	<u>856,519</u>
Net Change in Fund Balances	<u>1,500</u>	<u>(4,500)</u>	<u>852,019</u>	<u>856,519</u>
Fund Balances - Beginning	33,589	452,350	452,350	-
Fund Balances - Ending	<u>\$ 35,089</u>	<u>\$ 447,850</u>	<u>\$ 1,304,369</u>	<u>\$ 856,519</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DRUG FORFEITURE SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Intergovernmental	\$ 46,100	\$ 46,100	\$ 57,589	\$ 11,489
Investment Earnings	250,000	250,000	1,971	(248,029)
Miscellaneous	2,600	2,600	411,720	409,120
Total Revenues	<u>298,700</u>	<u>298,700</u>	<u>471,280</u>	<u>172,580</u>
<b>EXPENDITURES:</b>				
Security of Persons & Property	496,010	543,010	448,841	94,169
Total Expenditures	<u>496,010</u>	<u>543,010</u>	<u>448,841</u>	<u>94,169</u>
<b>Excess (Deficiency of Revenues Over (Under) Expenditures</b>	<u>(197,310)</u>	<u>(244,310)</u>	<u>22,439</u>	<u>266,749</u>
Net Change in Fund Balances	<u>(197,310)</u>	<u>(244,310)</u>	<u>22,439</u>	<u>266,749</u>
Fund Balances - Beginning	710,547	926,180	926,180	-
Fund Balances - Ending	<u>\$ 513,237</u>	<u>\$ 681,870</u>	<u>\$ 948,619</u>	<u>\$ 266,749</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LOCAL LAW ENFORCEMENT GRANT SPECIAL REVENUE FUND**  
 For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out (Note 5)	\$ (16,468)	\$ (15,439)	\$ (15,439)	\$ -
Total Other Financing Sources (Uses)	<u>(16,468)</u>	<u>(15,439)</u>	<u>(15,439)</u>	<u>-</u>
Net Change in Fund Balances	(16,468)	(15,439)	(15,439)	-
Fund Balances - Beginning	16,468	15,439	15,439	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HOUSING & COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Intergovernmental	\$ 510,000	\$ 650,400	\$ 659,277	\$ 8,877
Total Revenues	<u>510,000</u>	<u>650,400</u>	<u>659,277</u>	<u>8,877</u>
<b>EXPENDITURES:</b>				
Economic Environment	542,410	681,330	659,179	22,151
Total Expenditures	<u>542,410</u>	<u>681,330</u>	<u>659,179</u>	<u>22,151</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(32,410)</u>	<u>(30,930)</u>	<u>98</u>	<u>31,028</u>
Net Change in Fund Balances	<u>(32,410)</u>	<u>(30,930)</u>	<u>98</u>	<u>31,028</u>
Fund Balances - Beginning	99,286	43,299	43,299	-
Fund Balances - Ending	<u>\$ 66,876</u>	<u>\$ 12,369</u>	<u>\$ 43,397</u>	<u>\$ 31,028</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**RECREATION TRAILS SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Investment Earnings	\$ 100	\$ 100	\$ 27	\$ (73)
Total Revenues	<u>100</u>	<u>7,200</u>	<u>7,127</u>	<u>(73)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>100</u>	<u>7,200</u>	<u>7,127</u>	<u>(73)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	7,100	-	-	-
Total Other Financing Sources (Uses)	<u>7,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>7,200</u>	<u>7,200</u>	<u>7,127</u>	<u>(73)</u>
Fund Balances - Beginning	8,177	8,194	8,194	-
Fund Balances - Ending	<u>\$ 15,377</u>	<u>\$ 15,394</u>	<u>\$ 15,321</u>	<u>\$ (73)</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**BUSINESS IMPROVEMENT AREA SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Other	\$ 53,000	\$ 43,752	\$ 58,678	\$ 14,926
Investment Earnings	100	100	69	(31)
Total Revenues	<u>53,100</u>	<u>43,852</u>	<u>58,747</u>	<u>14,895</u>
<b>EXPENDITURES:</b>				
Economic Environment	54,000	85,000	81,965	3,035
Total Expenditures	<u>54,000</u>	<u>85,000</u>	<u>81,965</u>	<u>3,035</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(900)</u>	<u>(41,148)</u>	<u>(23,218)</u>	<u>17,930</u>
Net Change in Fund Balances	<u>(900)</u>	<u>(41,148)</u>	<u>(23,218)</u>	<u>17,930</u>
Fund Balances - Beginning	44,396	44,817	44,817	-
Fund Balances - Ending	<u>\$ 43,496</u>	<u>\$ 3,669</u>	<u>\$ 21,599</u>	<u>\$ 17,930</u>

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CUMULATIVE RESERVE SPECIAL REVENUE FUND**  
 For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Investment Earnings	\$ 23,000	\$ 23,000	\$ 28,738	\$ 5,738
Total Revenues	<u>23,000</u>	<u>23,000</u>	<u>28,738</u>	<u>5,738</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>23,000</u>	<u>23,000</u>	<u>28,738</u>	<u>5,738</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out (Note 5)	(44,900)	(723,350)	(723,345)	5
Total Other Financing Sources (Uses)	<u>(44,900)</u>	<u>(723,350)</u>	<u>(723,345)</u>	<u>5</u>
Net Change in Fund Balances	<u>(21,900)</u>	<u>(700,350)</u>	<u>(694,607)</u>	<u>5,743</u>
Fund Balances - Beginning	5,623,464	5,732,032	5,732,032	-
Fund Balances - Ending	<u>\$ 5,601,564</u>	<u>\$ 5,031,682</u>	<u>\$ 5,037,425</u>	<u>\$ 5,743</u>

**RECONCILIATION OF PERSPECTIVE DIFFERENCE BETWEEN BUDGETARY INFORMATION AND  
 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP):**

The Cumulative Reserve Fund is combined with  
 the General Fund for purposes of GASB Statement 54

(5,037,425)

Fund Balance - Ending (GAAP)

\$ -

City of Auburn, Washington  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MITIGATION SPECIAL REVENUE FUND**  
For the Year Ended December 31, 2011

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Charges for Services	\$ 880,000	\$ 880,000	\$ 1,188,560	\$ 308,560
Investment Earnings	20,000	20,000	8,208	(11,792)
Total Revenues	<u>900,000</u>	<u>900,000</u>	<u>1,196,768</u>	<u>296,768</u>
<b>EXPENDITURES:</b>				
Security of Person & Property	50,000	262,300	262,300	-
Total Expenditures	<u>50,000</u>	<u>262,300</u>	<u>262,300</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>850,000</u>	<u>637,700</u>	<u>934,468</u>	<u>296,768</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out (Note 5)	(2,629,200)	(3,230,370)	(1,433,152)	1,797,218
Total Other Financing Sources (Uses)	<u>(2,629,200)</u>	<u>(3,230,370)</u>	<u>(1,433,152)</u>	<u>1,797,218</u>
Net Change in Fund Balances	<u>(1,779,200)</u>	<u>(2,592,670)</u>	<u>(498,684)</u>	<u>2,093,986</u>
Fund Balances - Beginning	3,444,973	4,336,836	4,336,836	-
Fund Balances - Ending	<u>\$ 1,665,773</u>	<u>\$ 1,744,166</u>	<u>\$ 3,838,152</u>	<u>\$ 2,093,986</u>



## NON-MAJOR GOVERNMENTAL FUNDS

### DEBT SERVICE FUNDS

Debt service funds account for payments of principal and interest on general obligation and special assessment long-term debt. The City of Auburn has one outstanding general obligation issue, and three special assessment funds.

#### **The 2010 A Series General Obligation Bonds (refunding portion)**

Accounts for debt service on a Council-approved bond issue to partially advance refund the 1998 General Obligation Library Bonds.

#### **The 2010 A Series (non-refunding portion) and B Series General Obligation Bonds**

Accounts for debt service on a Council-approved bond issue to finance acquisition costs of certain condominium units in the City Hall Annex.

#### **The 2010 C Series and 2010 D Series General Obligation Bonds**

Accounts for the debt service on a Council-approved bond issue to finance a portion of the downtown infrastructure improvements in the City's revitalization area.

#### **The L.I.D. Guarantee Fund**

This fund provides financial security for outstanding L.I.D. bonds and special assessment debt.

#### **Special Assessment Debt Fund**

Accounts for the special assessment collections and debt service payments for all local improvement districts located within the City.

City of Auburn, Washington  
**COMBINING BALANCE SHEET**  
**NON-MAJOR DEBT SERVICE FUNDS**  
 December 31, 2011

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	LID Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 45,754	\$ 158	\$ -	\$ 54,387	\$ 330	\$ 100,629
Receivables:						
Special Assessments	-	-	-	-	577,602	577,602
Total Assets	<u>\$ 45,754</u>	<u>\$ 158</u>	<u>\$ -</u>	<u>\$ 54,387</u>	<u>\$ 577,932</u>	<u>\$ 678,231</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ 577,602	\$ 577,602
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,602</u>	<u>577,602</u>
Fund Balances:						
Restricted	-	-	-	54,387	330	54,717
Assigned	45,754	158	-	-	-	45,912
Total Fund Balances	<u>45,754</u>	<u>158</u>	<u>-</u>	<u>54,387</u>	<u>330</u>	<u>100,629</u>
Total Liabilities and Fund Balances	<u>\$ 45,754</u>	<u>\$ 158</u>	<u>\$ -</u>	<u>\$ 54,387</u>	<u>\$ 577,932</u>	<u>\$ 678,231</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR DEBT SERVICE FUNDS**  
 For the Year Ended December 31, 2011

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	L I D Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
<b>REVENUES:</b>						
Taxes:						
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ 32,972	\$ 32,972
Intergovernmental	-	406,321	131,116	-	-	537,437
Investment Earnings	321	-	316	100	29,561	30,298
Total Revenues	<u>321</u>	<u>406,321</u>	<u>413,561</u>	<u>100</u>	<u>62,533</u>	<u>882,836</u>
<b>EXPENDITURES:</b>						
Culture and Recreation	625	-	-	-	-	625
Debt Service						
Principal	215,000	475,000	195,000	-	32,866	917,866
Interest	71,200	1,220,567	399,267	-	30,475	1,721,509
Total Expenditures	<u>286,825</u>	<u>1,695,567</u>	<u>594,267</u>	<u>-</u>	<u>63,341</u>	<u>2,640,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(286,504)</u>	<u>(1,289,246)</u>	<u>(180,706)</u>	<u>100</u>	<u>(808)</u>	<u>(1,757,164)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In (Note 5)	286,200	1,289,300	104,305	-	-	1,679,805
Transfers Out (Note 5)	-	-	-	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	<u>286,200</u>	<u>1,289,300</u>	<u>104,305</u>	<u>(10,000)</u>	<u>-</u>	<u>1,669,805</u>
Net Change in Fund Balances	<u>(304)</u>	<u>54</u>	<u>(76,401)</u>	<u>(9,900)</u>	<u>(808)</u>	<u>(87,359)</u>
Fund Balances - Beginning	46,058	104	76,401	64,287	1,138	187,988
Fund Balances - Ending	<u>\$ 45,754</u>	<u>\$ 158</u>	<u>\$ -</u>	<u>\$ 54,387</u>	<u>\$ 330</u>	<u>\$ 100,629</u>



## NON-MAJOR GOVERNMENTAL FUNDS

### CAPITAL PROJECT FUNDS

Capital projects funds account for the City of Auburn's financial resources used for the acquisition or construction of major non-proprietary capital facilities. Auburn has two non-major capital project funds.

#### **The Municipal Park Construction Fund**

Accounts for park related construction activity and includes funding from a portion of field rental income and adult athletic team fees.

#### **The Local Revitalization Fund**

Accounts for the City Hall Plaza and the Downtown Promenade project.

City of Auburn, Washington  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECT FUND**  
December 31, 2011

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 662,266	\$ 371,957	\$ 1,034,223
Due From Other Governmental Units	7,310	1,809,975	1,817,285
Total Assets	<u>\$ 975,929</u>	<u>\$ 2,181,932</u>	<u>\$ 3,157,861</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Payables	\$ 191,162	\$ 336,248	\$ 527,410
Total Liabilities	<u>191,162</u>	<u>336,248</u>	<u>527,410</u>
Fund Balances:			
Restricted	677,166	1,473,727	2,150,893
Assigned	107,601	371,957	479,558
Total Fund Balances	<u>784,767</u>	<u>1,845,684</u>	<u>2,630,451</u>
Total Liabilities and Fund Balances	<u>\$ 975,929</u>	<u>\$ 2,181,932</u>	<u>\$ 3,157,861</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUND**  
For the Year Ended December 31, 2011

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
<b>REVENUES:</b>			
Taxes:			
Property	\$ 116,435	\$ -	\$ 116,435
Intergovernmental	412,079	1,809,975	2,222,054
Charges for Services	19,770	-	19,770
Investment Earnings	687	6,813	7,500
Miscellaneous	1,127,116	-	1,127,116
Total Revenues	<u>1,676,087</u>	<u>1,816,788</u>	<u>3,492,875</u>
<b>EXPENDITURES:</b>			
Capital Outlay	<u>2,955,353</u>	<u>5,467,701</u>	<u>8,423,054</u>
Total Expenditures	<u>2,955,353</u>	<u>5,470,701</u>	<u>8,426,054</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,279,266)</u>	<u>(3,653,913)</u>	<u>(4,933,179)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In (Note 5)	<u>1,716,950</u>	<u>382,000</u>	<u>2,098,950</u>
Total Other Financing Sources (Uses)	<u>1,716,950</u>	<u>382,000</u>	<u>2,098,950</u>
Net Change in Fund Balances	<u>437,684</u>	<u>(3,271,913)</u>	<u>(2,834,229)</u>
Fund Balances - Beginning	347,083	5,117,597	5,464,680
Fund Balances - Ending	<u>\$ 784,767</u>	<u>\$ 1,845,684</u>	<u>\$ 2,630,451</u>



## NON-MAJOR GOVERNMENTAL FUNDS

### PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs that are for the benefit of the City or its citizens. Auburn has one permanent fund.

#### **The Cemetery Endowed Care Fund**

Accounts for non-expendable investments held by the City's trustee. The interest income from investments is available for use by the cemetery fund for capital enhancement and maintenance.

City of Auburn, Washington  
**BALANCE SHEET**  
**PERMANENT FUND**  
 December 31, 2011

	Cemetery Endowed Care
<hr/>	
<b>ASSETS:</b>	
Cash and Cash Equivalents	
Non-Expendable Trust	\$ 1,556,570
Total Assets	<u>\$ 1,556,570</u>
 <b>FUND BALANCES:</b>	
Nonspendable	\$ 1,449,220
Assigned	<u>107,350</u>
Total Fund Balances	<u>1,556,570</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,556,570</u>

City of Auburn, Washington  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**PERMANENT FUND**  
 For the Year Ended December 31, 2011

		Cemetery Endowed Care
<hr/>		
<b>REVENUES:</b>		
Increase to Endowment from Lot Sales	\$	44,829
Investment Earnings		5,934
Total Revenues		<u>50,763</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures		 <u>50,763</u>
 <b>OTHER FINANCING SOURCES (USES):</b>		
Transfers Out (Note 5)		<u>(31,300)</u>
Total Other Financing Sources (Uses)		<u>(31,300)</u>
 Net Change in Fund Balance		 <u>19,463</u>
Fund Balance - Beginning		1,537,107
Fund Balance - Ending	\$	<u><u>1,556,570</u></u>



## NON-MAJOR PROPRIETARY FUNDS

### ENTERPRISE FUNDS

The City's enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations. The goods and services these funds provide to the general public are primarily financed by service charges. Enterprise funds are self-supporting and use the accrual method of accounting. Auburn has two non-major enterprise funds.

#### **The Airport Fund**

Provides accounting of the activities of the Auburn Municipal Airport. Sources of income for the fund are leases, rentals, fuel charges, investment interest, and grant funding as available.

#### **The Cemetery Fund**

Accounts for Mountain View Cemetery's operations.

City of Auburn, Washington  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
December 31, 2011

	Airport	Cemetery	Total Nonmajor Proprietary Funds
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,082,099	\$ 114,401	\$ 1,196,500
Restricted Cash:			
Customer Deposits	63,856	-	63,856
Inventories	-	10,213	10,213
Total Current Assets	<u>1,145,955</u>	<u>124,614</u>	<u>1,270,569</u>
Noncurrent Assets:			
Long-Term Contracts and Notes	-	2,099	2,099
Capital Assets:			
Land	3,653,343	342,836	3,996,179
Buildings and Equipments	2,555,195	1,048,109	3,603,304
Improvements Other Than Buildings	8,547,033	1,137,010	9,684,043
Construction in Progress	16,147	-	16,147
Less: Accumulated Depreciation	<u>(5,006,879)</u>	<u>(1,257,442)</u>	<u>(6,264,321)</u>
Total Capital Assets (Net of A/D)	<u>9,764,839</u>	<u>1,270,513</u>	<u>11,035,352</u>
Total Noncurrent Assets	<u>9,764,839</u>	<u>1,272,612</u>	<u>11,037,451</u>
Total Assets	<u>10,910,794</u>	<u>1,397,226</u>	<u>12,308,020</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Current Payables	14,885	52,795	67,680
Employee Leave Benefits - Current	1,955	20,798	22,753
General Obligation Bonds Payable - Current	105,000	-	105,000
Customer Deposits	63,856	-	63,856
Total Current Liabilities	<u>185,696</u>	<u>73,593</u>	<u>259,289</u>
Noncurrent Liabilities:			
Deferred Revenue	-	2,099	2,099
Employee Leave Benefits	887	9,441	10,328
General Obligation Bonds Payable	993,053	497,384	1,490,437
Total Noncurrent Liabilities	<u>993,940</u>	<u>508,924</u>	<u>1,502,864</u>
Total Liabilities	<u>1,179,636</u>	<u>582,517</u>	<u>1,762,153</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	8,666,786	773,129	9,439,915
Unrestricted	<u>1,064,372</u>	<u>41,580</u>	<u>1,105,952</u>
Total Net Assets	<u>\$ 9,731,158</u>	<u>\$ 814,709</u>	<u>\$ 10,545,867</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
For the Year Ended December 31, 2011

	Airport	Cemetery	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 25,983	\$ 751,883	\$ 777,866
Interest	-	1,420	1,420
Other Operating Revenue	608,287	-	608,287
Total Operating Revenues	<u>634,270</u>	<u>753,303</u>	<u>1,387,573</u>
<b>OPERATING EXPENSES:</b>			
Operations & Maintenance	30,909	668,494	699,403
Administration	488,565	276,752	765,317
Depreciation/Amortization	393,078	57,999	451,077
Other Operating Expenses	188	10,800	10,988
Total Operating Expenses	<u>912,740</u>	<u>1,014,045</u>	<u>1,926,785</u>
Operating Income (Loss)	<u>(278,470)</u>	<u>(260,742)</u>	<u>(539,212)</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>			
Interest Revenue	2,131	114	2,245
Other Non-Operating Revenues	364,397	30	364,427
Interest Revenue (Expense)	(62,218)	(21,773)	(83,991)
Total Non-Operating Revenue (Expense)	<u>304,310</u>	<u>(21,629)</u>	<u>282,681</u>
Income (Loss) Before Contributions & Transfers	<u>25,840</u>	<u>(282,371)</u>	<u>(256,531)</u>
Transfers In (Note 5)	<u>-</u>	<u>231,300</u>	<u>231,300</u>
Change in Net Assets	<u>25,840</u>	<u>(51,071)</u>	<u>(25,231)</u>
Total Net Assets - Beginning	9,705,318	865,780	10,571,098
Total Net Assets - Ending	<u>\$ 9,731,158</u>	<u>\$ 814,709</u>	<u>\$ 10,545,867</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
 For the Fiscal Year Ended December 31, 2011

	Airport	Cemetery	Total Non Major Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received From Users	\$ 632,623	\$ 753,303	\$ 1,385,926
Cash Paid to Suppliers	(499,083)	(262,665)	(761,748)
Cash Paid for Taxes	(188)	(10,800)	(10,988)
Cash Paid for Inventory	-	(2,454)	(2,454)
Cash Paid to Employees	(24,038)	(667,595)	(691,633)
Net Cash Provided (Used) By Operating Activities	<u>109,314</u>	<u>(190,211)</u>	<u>(80,897)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Other Non-Operating Gain	30,235	-	30,235
Transfers from Other Funds	-	231,300	231,300
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>30,235</u>	<u>231,300</u>	<u>261,535</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets	(328,452)	(64,404)	(392,856)
Capital Grant	334,162	-	334,162
Principal Payment on Debt	(100,000)	-	(100,000)
Interest Payment on Debt	(54,475)	(22,268)	(76,743)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(148,765)</u>	<u>(86,672)</u>	<u>(235,437)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Interest Received	2,131	144	2,275
Net Cash Provided (Used) in Investing Activities	<u>2,131</u>	<u>144</u>	<u>2,275</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(7,085)</u>	<u>(45,439)</u>	<u>(52,524)</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,153,040</u>	<u>159,840</u>	<u>1,312,880</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><b>\$ 1,145,955</b></u>	<u><b>\$ 114,401</b></u>	<u><b>\$ 1,260,356</b></u>
<b>CASH AT END OF YEAR CONSISTS OF:</b>			
Cash and Cash Equivalents	1,082,099	114,401	1,196,500
Restricted Cash - Customer Deposits	63,856	-	63,856
Total Cash	<u><b>\$ 1,145,955</b></u>	<u><b>\$ 114,401</b></u>	<u><b>\$ 1,260,356</b></u>

City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
 For the Fiscal Year Ended December 31, 2011

	Airport	Cemetery	Total Non Major Enterprise Funds
<b>RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (278,470)	\$ (260,742)	\$ (539,212)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Depreciation	393,078	57,999	451,077
Asset (Increases) Decreases:			
Accounts Receivable	3,910	-	3,910
Inventory	-	(2,454)	(2,454)
Liability Increases (Decreases):			
Accounts & Vouchers Payable	(3,760)	7,907	4,147
Deposits Payable	(5,557)	-	(5,557)
Wages & Benefits Payable	118	1,419	1,537
Compensated Absences Payable	(5)	5,660	5,655
Total Adjustments	<u>387,784</u>	<u>70,531</u>	<u>458,315</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 109,314</u>	<u>\$ (190,211)</u>	<u>\$ (80,897)</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Capital Assets Acquired by Contributed Capital	-	-	-
Increase (Decrease) in Fair Value of Investment	-	-	-
Total Non Cash Investing, Capital and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## NON-MAJOR PROPRIETARY FUNDS

### INTERNAL SERVICE FUNDS

The City of Auburn's internal service funds are used to account for the financing of goods and services provided by one department of operation to other departments on a cost reimbursement basis. Internal service funds are self-supporting and use the accrual method of accounting. Auburn has four internal service funds.

#### **The Insurance Fund**

Provides a source of funds to pay unemployment claims and property and casualty claims which fall below deductible levels.

#### **The Facilities Funds**

Accounts for the costs of maintaining various City facilities.

#### **The Information Services Fund**

Accounts for the costs of purchasing and maintaining the City's various computer and telecommunications systems.

#### **The Equipment Rental Fund**

Accounts for the costs of purchasing, maintaining, and operating Auburn's fleet of vehicles and related equipment.

City of Auburn, Washington  
**COMBINING STATEMENTS OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
December 31, 2011

	Insurance	Facilities	Information Services	Equipment Rental	Total
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,184,987	\$ 1,918,464	\$ 3,347,131	\$ 3,845,767	\$ 11,296,349
Investments	-	-	-	2,006,120	2,006,120
Customer Accounts	-	24,308	-	-	24,308
Other Receivables	-	-	-	1,639	1,639
Due From Other Governmental Units	-	20,938	111,085	-	132,023
Inventories	-	-	-	118,029	118,029
Total Current Assets	<u>2,184,987</u>	<u>1,963,710</u>	<u>3,458,216</u>	<u>5,971,555</u>	<u>13,578,468</u>
Noncurrent Assets:					
Capital Assets:					
Buildings and Equipment	-	-	4,595,515	11,655,962	16,251,477
Improvements Other than Buildings	-	-	-	46,591	46,591
Less: Accumulated Depreciation	-	-	(3,280,022)	(7,312,720)	(10,592,742)
Total Capital Assets (Net of A/D)	<u>-</u>	<u>-</u>	<u>1,315,493</u>	<u>4,389,833</u>	<u>5,705,326</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>1,315,493</u>	<u>4,389,833</u>	<u>5,705,326</u>
Total Assets	<u>2,184,987</u>	<u>1,963,710</u>	<u>4,773,709</u>	<u>10,361,388</u>	<u>19,283,794</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
Current Payables	307	341,261	339,530	178,389	859,487
Employee Leave Benefits - Current	-	33,568	57,772	32,381	123,721
Total Current Liabilities	<u>307</u>	<u>378,054</u>	<u>397,302</u>	<u>210,770</u>	<u>986,433</u>
Noncurrent Liabilities					
Employee Leave Benefits	-	15,237	26,224	14,699	56,160
Total Noncurrent Liabilities	<u>-</u>	<u>15,237</u>	<u>26,224</u>	<u>14,699</u>	<u>56,160</u>
Total Liabilities	<u>307</u>	<u>393,291</u>	<u>423,526</u>	<u>225,469</u>	<u>1,042,593</u>
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Related Debt	-	-	1,315,493	4,389,833	5,705,326
Unrestricted	<u>2,184,680</u>	<u>1,570,419</u>	<u>3,034,690</u>	<u>5,746,086</u>	<u>12,535,875</u>
Total Net Assets	<u>\$ 2,184,680</u>	<u>\$ 1,570,419</u>	<u>\$ 4,350,183</u>	<u>\$ 10,135,919</u>	<u>\$ 18,241,201</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2011

	Insurance	Facilities	Information Services	Equipment Rental	Total
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ -	\$ 3,774,163	\$ 4,163,661	\$ 2,851,035	\$ 10,788,859
Total Operating Revenues	<u>-</u>	<u>3,874,892</u>	<u>4,310,831</u>	<u>2,851,035</u>	<u>11,036,758</u>
<b>OPERATING EXPENSES:</b>					
Operations & Maintenance	-	2,390,353	3,737,502	1,374,528	7,502,383
Administration	185,373	-	246,600	717,650	1,149,623
Depreciation/Amortization	-	-	466,653	809,983	1,276,636
Total Operating Expenses	<u>185,373</u>	<u>2,390,353</u>	<u>4,450,755</u>	<u>2,902,161</u>	<u>9,928,642</u>
Operating Income (Loss)	<u>(185,373)</u>	<u>1,484,539</u>	<u>(139,924)</u>	<u>(51,126)</u>	<u>1,108,116</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>					
Interest Revenue	3,221	2,663	7,421	28,618	41,923
Other Non-Operating Revenues	-	66,231	63,764	49,238	179,233
Gain (Loss) on Sale of Capital Assets	-	-	-	(6,316)	(6,316)
Total Non-Operating Revenue (Expense)	<u>3,221</u>	<u>68,894</u>	<u>71,185</u>	<u>71,540</u>	<u>214,840</u>
Income (Loss) Before Contributions	<u>(182,152)</u>	<u>1,553,433</u>	<u>(68,739)</u>	<u>20,414</u>	<u>1,322,956</u>
Capital Contributions	-	-	-	10,537	10,537
Change in Net Assets	<u>(182,152)</u>	<u>908,733</u>	<u>(568,739)</u>	<u>(476,049)</u>	<u>(318,207)</u>
Total Net Assets - Beginning	2,366,832	661,686	4,918,922	10,611,968	18,559,408
Total Net Assets - Ending	<u>\$ 2,184,680</u>	<u>\$ 1,570,419</u>	<u>\$ 4,350,183</u>	<u>\$ 10,135,919</u>	<u>\$ 18,241,201</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Fiscal Year Ended December 31, 2011

Page 1 of 2

	Insurance	Facilities	Information Services	Equipment Rental	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received From Users	\$ -	\$ 3,881,062	\$ 4,294,030	\$ 2,877,190	\$ 11,052,282
Cash Paid to Suppliers	(181,579)	(1,410,650)	(2,274,940)	(1,668,491)	(5,535,660)
Cash Paid for Taxes	(3,977)	-	-	-	(3,977)
Cash Paid for Inventory	-	-	-	15,264	15,264
Cash Paid to Employees	-	(923,075)	(1,706,819)	(515,171)	(3,145,065)
Net Cash Provided (Used) By Operating Activities	<u>(185,556)</u>	<u>1,547,337</u>	<u>312,271</u>	<u>708,792</u>	<u>2,382,844</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating Grant Received	-	44,208	(92,260)	-	(48,052)
Other Non-Operating Gain	-	-	530	13,422	13,952
Transfers Out	-	(644,700)	(500,000)	(507,000)	(1,651,700)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>(600,492)</u>	<u>(591,730)</u>	<u>(493,578)</u>	<u>(1,685,800)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from Sale of Equipment	-	-	-	38,945	38,945
Purchase of Capital Assets	-	-	(737,104)	(405,109)	(1,142,213)
Capital Grant	-	-	63,234	-	63,234
Proceeds from Insurance Settlement	-	22,023	-	35,816	57,839
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>-</u>	<u>22,023</u>	<u>(673,870)</u>	<u>(330,348)</u>	<u>(982,195)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>					
Purchase of Investments	-	-	-	(2,000,000)	(2,000,000)
Interest Received	3,221	2,663	7,421	20,859	34,164
Net Cash Provided (Used) in Investing Activities	<u>3,221</u>	<u>2,663</u>	<u>7,421</u>	<u>(1,979,141)</u>	<u>(1,965,836)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(182,335)</u>	<u>971,531</u>	<u>(945,908)</u>	<u>(2,094,275)</u>	<u>(2,250,987)</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,367,322</u>	<u>946,933</u>	<u>4,293,039</u>	<u>5,940,042</u>	<u>13,547,336</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,184,987</u>	<u>\$ 1,918,464</u>	<u>\$ 3,347,131</u>	<u>\$ 3,845,767</u>	<u>\$ 11,296,349</u>
<b>CASH AT END OF YEAR CONSISTS OF:</b>					
Cash and Cash Equivalents	<u>2,184,987</u>	<u>1,918,464</u>	<u>3,347,131</u>	<u>3,845,767</u>	<u>11,296,349</u>
Total Cash	<u>\$ 2,184,987</u>	<u>\$ 1,918,464</u>	<u>\$ 3,347,131</u>	<u>\$ 3,845,767</u>	<u>\$ 11,296,349</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
 For the Fiscal Year Ended December 31, 2011

	Insurance	Facilities	Information Services	Equipment Rental	Total
<b>RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (185,373)	\$ 1,484,539	\$ (139,924)	\$ (51,126)	\$ 1,108,116
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Depreciation	-	-	466,653	809,983	1,276,636
Asset (Increases) Decreases:					
Accounts Receivable	-	7,970	(16,801)	26,155	17,324
Inventory	-	-	-	15,264	15,264
Liability Increases (Decreases):					
Accounts & Vouchers Payable	(183)	53,741	(14,486)	(100,142)	(61,070)
Deposits Payable	-	(1,800)	-	-	(1,800)
Wages & Benefits Payable	-	2,315	8,747	5,237	16,299
Compensated Absences Payable	-	572	8,082	3,421	12,075
Total Adjustments	(183)	62,798	452,195	759,918	1,274,728
Net Cash Provided (Used) by Operating Activities	<u>\$ (185,556)</u>	<u>\$ 1,547,337</u>	<u>\$ 312,271</u>	<u>\$ 708,792</u>	<u>\$ 2,382,844</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>					
Capital Assets Acquired by Contributed Capital Increase (Decrease)	-	-	-	10,537	10,537
Total Non Cash Investing, Capital and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,537</u>	<u>\$ 10,537</u>



## AGENCY FUNDS

The agency fund accounts for monies over which the City is strictly a short-term custodian. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

City of Auburn, Washington  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**

For the Fiscal Year Ended December 31, 2011

	Balance 1/1/2011	Additions	Deductions	Balance 12/31/2011
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 1,400,069	\$ 3,569,556	\$ 3,521,256	\$ 1,448,369
Other Current Assets	6,582	212,815	193,375	26,022
Due from Other Governments	70,884	-	70,884	-
Total Assets	<u>\$ 1,477,535</u>	<u>\$ 3,782,371</u>	<u>\$ 3,785,515</u>	<u>\$ 1,474,391</u>
<b>LIABILITIES:</b>				
Due to Other Government Units	1,477,535	5,221,537	5,224,681	1,474,391
Total Liabilities	<u>\$ 1,477,535</u>	<u>\$ 5,221,537</u>	<u>\$ 5,224,681</u>	<u>\$ 1,474,391</u>

City of Auburn  
**STATISTICAL SECTION**  
 December 31, 2011

**Financial Trends Information**

*Financial trends schedules are intended to provide users with information to assist them in understanding and assessing how the City’s financial position has changed over time.*

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**Revenue Capacity Information**

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**Demographic and Economic Information**

*These schedules offer demographic and economic information to assist users in understanding certain aspects of the environment within which the City operates and to provide information that facilitates comparisons of financial statement information over time and across governmental units.*

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**Operating Information**

*These schedules contain service and infrastructure data to help users understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.*

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City of Auburn, Washington  
**SCHEDULE 1**  
**NET ASSETS BY COMPONENTS**  
 Last Nine Fiscal Years  
 (Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities:</b>									
Invested in capital assets, net of related debt	\$ 167,057,262	\$ 171,921,373	\$ 194,121,232	\$ 200,814,063	\$ 212,611,232	\$ 303,564,348	\$ 314,691,982	\$ 320,506,701	\$ 340,941,112
Restricted	23,384,709	25,615,116	23,442,309	26,839,342	24,519,024	28,965,599	12,741,566	15,180,467	14,230,963
Unrestricted	29,547,005	28,490,736	24,095,336	24,148,157	26,774,107	25,955,501	43,754,879	46,734,364	45,250,090
<b>Total governmental activities net assets</b>	<b>219,988,976</b>	<b>226,027,225</b>	<b>241,658,877</b>	<b>251,801,562</b>	<b>263,904,363</b>	<b>358,485,448</b>	<b>371,188,427</b>	<b>382,421,532</b>	<b>400,422,165</b>
<b>Business-type activities:</b>									
Invested in capital assets, net of related debt	104,513,351	106,783,634	115,137,273	125,265,152	130,515,163	144,626,496	150,621,492	152,343,987	166,289,542
Restricted	1,919,515	1,969,809	2,238,611	6,987,485	1,227,395	933,914	2,071,219	4,107,128	4,153,982
Unrestricted	29,489,320	31,849,110	32,513,576	25,693,517	40,655,261	35,859,489	29,546,169	28,642,334	30,523,974
<b>Total business-type activities net assets</b>	<b>135,922,186</b>	<b>140,602,553</b>	<b>149,889,460</b>	<b>157,946,154</b>	<b>172,397,819</b>	<b>181,419,899</b>	<b>182,238,880</b>	<b>185,093,449</b>	<b>200,967,498</b>
<b>Primary government:</b>									
Invested in capital assets, net of related debt	271,570,613	278,705,007	309,258,505	326,079,215	343,126,395	448,190,844	465,313,474	472,850,688	507,230,654
Restricted	25,304,224	27,584,925	25,680,920	33,826,827	25,746,419	29,899,513	14,812,785	19,287,595	18,384,945
Unrestricted	59,036,325	60,339,846	56,608,912	49,841,674	67,429,368	61,814,990	73,301,048	75,376,698	75,774,064
<b>Total primary government net assets</b>	<b>\$ 355,911,162</b>	<b>\$ 366,629,778</b>	<b>\$ 391,548,337</b>	<b>\$ 409,747,716</b>	<b>\$ 436,302,182</b>	<b>\$ 539,905,347</b>	<b>\$ 553,427,307</b>	<b>\$ 567,514,981</b>	<b>\$ 601,389,663</b>

(1) Information available for 2003-2011 only due to new accounting and reporting standards beginning in 2003 with GASB Statement No. 34.

Source: City of Auburn, Finance Department

City of Auburn, Washington  
**SCHEDULE 2**  
**CHANGES IN NET ASSETS**  
 Last Nine Fiscal Years <sup>(1)</sup>  
 (Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
Governmental activities:									
General government	\$ 5,968,367	\$ 4,235,953	\$ 5,284,440	\$ 6,462,578	\$ 7,196,492	\$ 8,000,715	\$ 7,567,085	\$ 7,934,948	\$ 8,581,829
Public safety	23,045,701	26,076,348	28,048,087	29,804,864	33,396,630	28,217,844	25,675,063	25,890,627	27,320,805
Transportation	3,071,195	8,239,795	7,956,286	7,619,268	8,077,154	12,974,861	11,471,167	11,989,752	12,123,615
Physical environment	1,845,059	2,415,047	2,209,652	2,418,543	3,269,334	3,096,696	3,327,836	2,498,539	2,327,911
Culture and recreation	5,108,683	4,949,050	5,324,543	5,729,431	6,539,281	6,271,924	7,561,569	7,307,270	7,606,584
Economic environment	1,379,552	2,866,473	1,919,780	1,848,988	2,400,031	2,608,980	3,000,257	2,499,631	3,135,984
Health and human services	639,678	597,423	602,726	763,156	416,456	776,224	527,029	578,247	619,172
Interest on long-term debt	322,653	362,051	188,945	203,180	163,916	226,651	408,471	1,809,322	1,685,055
<b>Total governmental activities expenses</b>	<b>41,380,888</b>	<b>49,742,140</b>	<b>51,534,459</b>	<b>54,850,008</b>	<b>61,459,294</b>	<b>62,173,895</b>	<b>59,538,478</b>	<b>60,508,335</b>	<b>63,400,955</b>
Business-type activities:									
Water	6,868,291	6,913,709	6,962,997	7,647,935	7,873,191	8,565,231	8,970,215	10,042,879	8,961,736
Sewer	9,949,763	11,207,786	12,044,330	11,878,252	13,974,607	14,479,299	16,569,297	17,794,958	18,852,402
Storm drainage	2,955,179	3,169,350	3,354,899	3,852,335	4,224,881	5,226,823	7,275,072	6,994,381	6,752,021
Solid waste	8,553,801	8,645,372	9,121,727	9,936,222	10,368,901	10,781,426	11,019,606	9,894,429	9,957,943
Golf course	874,809	973,110	1,032,733	1,020,070	1,576,126	1,958,703	1,909,758	1,844,108	1,903,836
Non-major business-type activities	1,730,969	1,624,365	1,593,944	1,618,285	1,735,118	1,720,603	1,666,754	1,781,204	2,010,776
<b>Total business-type activities expenses</b>	<b>30,932,812</b>	<b>32,533,692</b>	<b>34,110,630</b>	<b>35,953,099</b>	<b>39,752,824</b>	<b>42,732,085</b>	<b>47,410,702</b>	<b>48,351,960</b>	<b>48,438,714</b>
<b>Total primary government expenses</b>	<b>\$ 72,313,700</b>	<b>\$ 82,275,832</b>	<b>\$ 85,645,089</b>	<b>\$ 90,803,107</b>	<b>\$ 101,212,118</b>	<b>\$ 104,905,980</b>	<b>\$ 106,949,180</b>	<b>\$ 108,860,294</b>	<b>\$ 111,839,669</b>
<b>Program revenues</b>									
Governmental activities:									
Charges for services									
General Government	\$ 359,398	\$ 561,013	\$ 663,309	\$ 820,585	\$ 1,126,258	\$ 2,316,125	\$ 814,095	\$ 1,168,574	\$ 1,010,911
Public Safety	1,354,900	1,767,687	2,109,284	2,514,867	3,100,973	2,674,777	2,854,530	2,938,942	3,867,013
Transportation	570,100	447,036	1,052,110	631,340	1,930,504	1,272,751	1,587,850	960,532	1,042,147
Physical Environment	237,772	365,681	244,766	436,503	576,539	257,780	147,996	86,306	103,590
Culture and Recreation	597,300	654,417	726,753	881,318	1,245,122	917,544	1,048,390	962,558	1,182,688
Economic Environment	2,088,948	3,097,230	3,169,262	2,590,763	2,070,534	1,638,579	1,654,692	1,732,397	2,294,916
Health and human services	-	-	-	-	-	-	989	449	7,528
<b>Total charges for services</b>	<b>5,208,418</b>	<b>6,893,064</b>	<b>7,965,484</b>	<b>7,875,376</b>	<b>10,049,930</b>	<b>9,077,556</b>	<b>8,108,542</b>	<b>7,849,758</b>	<b>9,508,793</b>
Operating grants and contributions	1,959,919	2,178,951	2,445,913	2,714,324	2,923,968	2,567,788	3,001,401	3,022,835	1,724,711
Capital grants and contributions	12,336,814	5,192,593	11,162,241	5,174,350	9,213,115	94,905,563	12,806,049	10,702,132	19,730,140
<b>Total governmental activities program revenues</b>	<b>19,505,151</b>	<b>14,264,608</b>	<b>21,573,638</b>	<b>15,764,050</b>	<b>22,187,013</b>	<b>106,550,907</b>	<b>23,915,992</b>	<b>21,574,725</b>	<b>30,963,644</b>
Business-type activities:									
Charges for services	31,233,491	31,747,066	32,658,440	36,226,324	38,784,127	39,883,386	42,338,079	43,461,742	45,045,488
Operating grants and contributions	33,384	33,384	54,999	47,961	43,263	55,024	87,454	70,841	116,735
Capital grants and contributions	6,985,742	4,351,278	7,857,856	3,988,202	12,479,590	10,670,660	1,992,259	7,391,111	15,981,735
<b>Total business-type activities program revenues</b>	<b>38,252,617</b>	<b>36,131,728</b>	<b>40,571,295</b>	<b>40,262,487</b>	<b>51,306,890</b>	<b>50,609,070</b>	<b>44,417,792</b>	<b>50,923,694</b>	<b>61,143,958</b>
<b>Total primary government program revenues</b>	<b>57,757,768</b>	<b>50,396,336</b>	<b>62,144,933</b>	<b>56,026,537</b>	<b>73,493,903</b>	<b>157,159,977</b>	<b>68,333,784</b>	<b>72,498,419</b>	<b>92,107,602</b>
Net (expense)/revenue									
Governmental activities	(21,875,737)	(35,477,532)	(29,960,821)	(39,085,958)	(39,272,281)	44,377,012	(35,622,486)	(38,933,610)	(32,437,311)
Business-type activities	7,319,805	3,598,036	6,460,665	4,309,388	11,554,066	7,876,985	(2,992,910)	2,571,734	12,705,244
<b>Total primary government net expense</b>	<b>\$ (14,555,932)</b>	<b>\$ (31,879,496)</b>	<b>\$ (23,500,156)</b>	<b>\$ (34,776,570)</b>	<b>\$ (27,718,215)</b>	<b>\$ 52,253,997</b>	<b>\$ (38,615,396)</b>	<b>\$ (36,361,876)</b>	<b>\$ (19,732,067)</b>
<b>General revenues and other changes in net assets</b>									
Governmental activities:									
Taxes:									
Property taxes	\$ 12,440,724	\$ 12,598,954	\$ 13,464,390	\$ 15,186,456	\$ 16,164,073	\$ 10,804,825	\$ 13,362,672	\$ 14,766,470	\$ 15,204,611
Retail sales and use tax	13,970,383	15,429,527	16,333,169	17,784,374	18,958,484	17,620,661	14,727,496	15,657,081	16,213,244
Interfund utility taxes	1,696,389	1,714,102	1,792,136	1,983,652	2,095,901	2,507,213	3,437,526	2,788,083	2,948,297
Utility taxes	4,225,725	5,012,010	5,349,713	5,893,041	6,073,429	8,075,355	9,071,485	8,886,964	9,049,689
Excise taxes	3,401,498	3,384,515	4,633,037	4,568,549	3,862,692	3,477,517	2,310,076	1,389,030	1,859,738
Other taxes	1,699,275	1,678,485	1,796,224	1,859,428	2,005,836	2,949,430	4,607,584	4,622,138	4,644,909
Investment earnings	769,239	708,259	1,465,102	2,454,694	2,993,174	1,589,837	570,798	379,316	224,593
Miscellaneous	96,168	192,469	564,416	69,037	(406,847)	2,751,495	67,223	214,190	775,969
Transfers	(1,225,054)	627,000	194,286	(570,588)	(371,660)	427,740	170,605	1,463,444	(483,107)
<b>Total governmental activities</b>	<b>37,074,347</b>	<b>41,345,321</b>	<b>45,592,473</b>	<b>49,228,643</b>	<b>51,375,082</b>	<b>50,204,073</b>	<b>48,325,465</b>	<b>50,166,715</b>	<b>50,437,943</b>
Business-type activities:									
Investment earnings	306,862	421,803	895,870	1,574,444	2,098,417	1,242,363	312,618	158,211	101,694
Miscellaneous	545,087	1,287,528	2,124,658	1,602,274	427,522	330,472	3,669,878	1,588,068	2,584,004
Transfers	1,225,054	(627,000)	(194,286)	570,588	371,660	(427,740)	(170,605)	(1,463,444)	483,107
<b>Total business-type activities:</b>	<b>2,077,003</b>	<b>1,082,331</b>	<b>2,826,242</b>	<b>3,747,306</b>	<b>2,897,599</b>	<b>1,145,095</b>	<b>3,811,891</b>	<b>282,835</b>	<b>3,168,805</b>
<b>Total primary government</b>	<b>\$ 39,151,350</b>	<b>\$ 42,427,652</b>	<b>\$ 48,418,715</b>	<b>\$ 52,975,949</b>	<b>\$ 54,272,681</b>	<b>\$ 51,349,168</b>	<b>\$ 52,137,356</b>	<b>\$ 50,449,550</b>	<b>\$ 53,606,748</b>
<b>Change in net assets</b>									
Governmental activities	15,198,610	5,867,789	15,631,652	10,142,685	12,102,801	94,581,085	12,702,979	11,233,105	18,000,632
Business-type activities	9,396,808	4,680,367	9,286,907	8,056,694	14,451,665	9,022,080	818,981	2,854,569	15,874,049
<b>Total primary government</b>	<b>\$ 24,595,418</b>	<b>\$ 10,548,156</b>	<b>\$ 24,918,559</b>	<b>\$ 18,199,379</b>	<b>\$ 26,554,466</b>	<b>\$ 103,603,165</b>	<b>\$ 13,521,960</b>	<b>\$ 14,087,674</b>	<b>\$ 33,874,681</b>

(1) Information available for 2003-2011 only due to new accounting and reporting standards beginning in 2003 with GASB Statement No. 34.

Source: City of Auburn, Finance Department

City of Auburn, Washington  
**SCHEDULE 3**  
**FUND BALANCES, GOVERNMENT FUNDS**  
 Last Nine Fiscal Years <sup>(1)</sup>  
 (Modified Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>(2)</sup>
General Fund									
Unreserved	\$ 18,496,495	\$ 20,702,250	\$ 15,938,825	\$ 14,448,328	\$ 14,462,720	\$ 13,071,091	\$ 13,237,851	\$ 15,382,354	\$ -
Nonspendable									
Restricted									
Committed									
Assigned									7,082,130
Unassigned									14,193,365
<b>Total General Fund</b>	<b>18,496,495</b>	<b>20,702,250</b>	<b>15,938,825</b>	<b>14,448,328</b>	<b>14,462,720</b>	<b>13,071,091</b>	<b>13,237,851</b>	<b>15,382,354</b>	<b>21,275,495</b>
All other governmental funds									
Reserved	1,133,206	1,270,769	1,375,591	1,376,798	1,501,033	1,507,565	1,538,038	1,592,378	
Unreserved, Reported In:									
Special Revenue Funds	9,776,846	10,612,069	8,967,039	10,738,431	13,124,661	14,463,370	15,184,058	15,486,918	
Capital Projects Funds	13,930,030	13,852,020	13,111,273	14,727,423	9,873,331	12,990,032	10,422,360	12,589,604	
Permanent Funds	233,800	222,020	232,832	188,524	170,983	144,396	153,503	132,717	
<b>Total Unreserved</b>	<b>23,940,676</b>	<b>24,686,109</b>	<b>22,311,144</b>	<b>25,654,378</b>	<b>23,168,975</b>	<b>27,597,798</b>	<b>25,759,921</b>	<b>28,209,239</b>	
Nonspendable									1,453,540
Restricted									12,781,743
Committed									3,134,449
Assigned									3,120,372
Unassigned									-
<b>Total All Other Governmental Funds</b>	<b>\$ 25,073,882</b>	<b>\$ 25,956,878</b>	<b>\$ 23,686,735</b>	<b>\$ 27,031,176</b>	<b>\$ 24,670,008</b>	<b>\$ 29,105,363</b>	<b>\$ 27,297,959</b>	<b>\$ 29,801,617</b>	<b>\$ 20,490,104</b>

(1) Information available for 2003-2011 only due to new accounting and reporting standards beginning 2003 with GASB Statement No. 34.

(2) For FY 2011, GASB Statement No. 54 was implemented. See Note 1E of the Notes to the Basic Financial Statements.

Source: City of Auburn, Finance Department

City of Auburn, Washington  
**SCHEDULE 4**  
**CHANGES IN FUND BALANCES, GOVERNMENT FUNDS**  
 Last Nine Fiscal Years <sup>(1)</sup>  
 (Modified Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>									
Taxes	\$ 35,734,592	\$ 38,258,799	\$ 41,467,853	\$ 44,867,161	\$ 46,721,651	\$ 43,781,530	\$ 42,514,006	\$ 43,069,695	\$ 44,812,975
Licenses and permits	1,255,582	2,248,576	2,227,963	1,683,320	1,606,950	1,110,722	1,326,875	1,311,916	1,769,516
Intergovernmental	6,756,672	4,697,501	6,826,222	6,831,240	5,766,484	8,369,888	9,616,067	9,656,529	16,174,149
Charges for services	2,924,962	3,393,178	3,939,610	3,659,773	5,017,224	3,784,544	3,473,199	3,073,168	2,938,815
Fines and forfeits	836,244	845,721	777,241	1,054,201	2,155,120	2,059,771	1,911,034	2,472,411	1,940,326
Special assessments	177,588	127,976	153,627	75,574	52,291	57,402	107,597	43,502	32,972
Investment earnings	300,213	336,442	1,175,258	1,477,368	2,456,291	1,363,375	484,696	386,890	237,056
Miscellaneous	1,102,089	2,452,468	1,247,252	1,865,079	877,473	1,296,349	1,142,428	3,023,589	2,322,580
Total revenues	49,087,942	52,360,661	57,815,026	61,513,716	64,653,484	61,823,581	60,575,902	63,037,699	70,228,389
<b>Expenditures</b>									
General government	5,737,882	5,472,630	5,308,663	6,062,037	6,834,084	7,719,205	7,864,410	7,770,957	8,310,037
Public safety	22,658,127	25,870,873	27,169,657	29,148,278	33,568,753	26,023,912	25,762,116	24,597,986	27,399,406
Transportation	4,327,863	5,152,344	10,337,587	9,403,147	7,385,929	8,910,967	9,850,579	10,054,434	16,059,156
Physical environment	1,911,616	2,304,248	2,191,796	2,435,201	3,352,466	3,490,636	3,192,089	2,480,641	2,290,328
Economic environment	1,316,782	2,796,902	1,877,675	1,928,978	2,142,282	2,530,827	3,028,684	2,597,849	3,138,590
Health and human services	639,678	597,423	602,726	763,156	416,456	776,224	527,029	568,911	616,177
Culture and recreation	4,453,173	4,806,217	4,815,643	5,016,554	6,571,275	6,296,743	6,622,546	6,663,881	6,918,623
Capital outlay <sup>(2)</sup>	3,357,827	12,100,966	507,484	3,822,895	7,346,316	4,778,334	30,338,508	8,486,382	8,597,944
Debt service:									
Principal	1,162,465	1,018,355	10,582,246	420,631	435,093	456,655	479,661	26,683,671	1,208,512
Interest / other	333,439	248,005	315,960	247,551	203,266	264,997	296,241	1,775,746	1,761,334
Total expenditures	45,898,852	60,367,963	63,709,437	59,248,428	68,255,920	61,248,500	87,961,863	91,680,457	76,300,647
Excess of revenues over (under) expenditures	3,189,090	(8,007,302)	(5,894,411)	2,265,288	(3,602,436)	575,081	(27,385,961)	(28,642,758)	(6,072,258)
<b>Other financing sources (uses)</b>									
Transfers in	5,458,804	3,946,424	9,753,294	8,873,200	6,103,144	7,386,082	6,994,306	9,442,727	7,410,926
Transfers out	(6,561,204)	(3,319,424)	(11,703,804)	(9,554,816)	(5,542,988)	(7,993,842)	(6,997,801)	(7,745,568)	(6,242,333)
Capital leases	-	10,350,000	-	-	695,504	17,728	24,549,186	-	-
Insurance recoveries	-	-	-	-	-	-	114,607	200,642	154,200
Issuance of debt	-	-	-	142,313	-	360,000	957,278	31,172,273	-
Issuance of refunding bond	-	-	-	-	-	-	-	2,150,000	-
Debt Premium	-	-	-	-	-	-	-	305,844	-
Payment to escrow agent - refunded bond	-	-	-	-	-	-	-	(2,235,000)	-
Sales of capital assets	26930	119,053	811,353	127,959	-	2,698,677	127,741	-	1,331,092
Total other financing sources (uses)	(1,075,470)	11,096,053	(1,139,157)	(411,344)	1,255,660	2,468,645	25,745,317	33,290,918	2,653,885
Net change in fund balances	\$ 2,113,620	\$ 3,088,751	\$ (7,033,568)	\$ 1,853,944	\$ (2,346,776)	\$ 3,043,726	\$ (1,640,644)	\$ 4,648,159	\$ (3,418,373)
Debt service as a percentage of noncapital expenditures	3.56%	2.37%	19.81%	1.39%	1.12%	1.42%	1.54%	37.50%	5.44%

(1) Information available for 2003-2011 only due to new accounting and reporting standards beginning 2003 with GASB Statement No. 34.

(2) Capital outlay reported in governmental funds is \$8,597,944 plus \$13,135,954 which is reported for each functional activity with the other funds results in total capital outlay of \$21,733,898 as reported on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities.

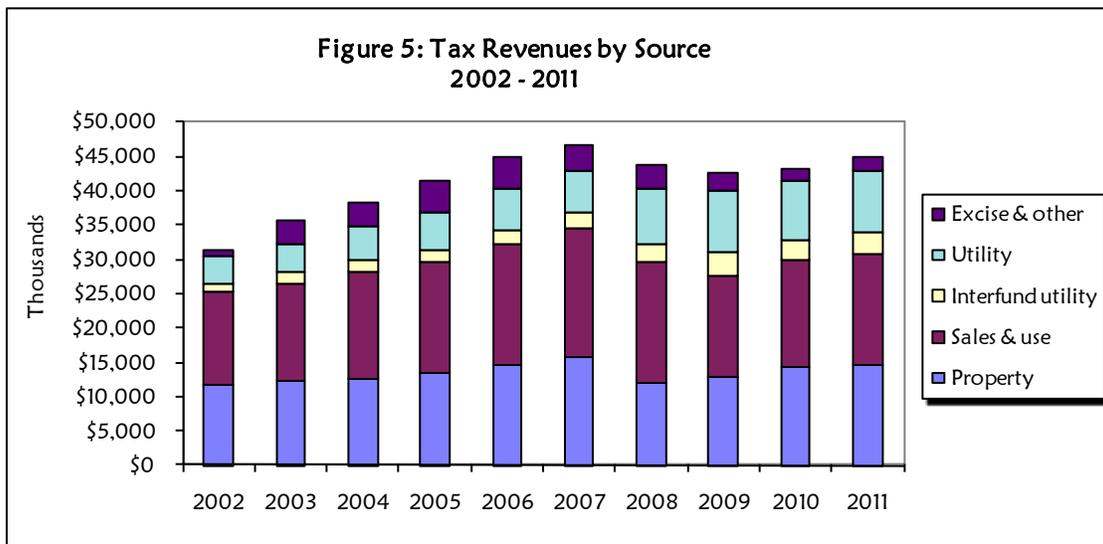
Source: City of Auburn, Finance Department

City of Auburn, Washington  
**SCHEDULE 5**  
**TAX REVENUES BY SOURCE, GOVERNMENT FUNDS**  
 Last Ten Fiscal Years

Fiscal Year	Property	Sales & Use	Interfund Utility	Utility	Excise	Other	Total
2002	\$ 11,673,939	\$ 13,568,518	\$ 1,078,845	\$ 4,193,983	\$ 829,537	\$ 52,839	\$ 31,397,661
2003	12,396,502	13,970,383	1,696,389	4,225,725	3,401,498	44,095	35,734,592
2004	12,680,361	15,429,527	1,714,102	5,012,010	3,384,515	38,284	38,258,799
2005	13,319,740	16,333,169	1,792,136	5,349,713	4,633,037	40,058	41,467,853
2006	14,582,829	17,784,374	1,983,652	5,893,041	4,568,549	54,716	44,867,161
2007	15,666,016	18,958,484	2,095,901	6,073,429	3,862,692	65,129	46,721,651
2008	12,040,124	17,620,661	2,507,213	8,075,355	3,477,517	60,660	43,781,530
2009	12,914,943	14,727,496	3,437,526	9,071,485	2,310,076	52,480	42,514,006
2010	14,283,303	15,657,081	2,788,083	8,886,964	1,389,030	65,234	43,069,695
2011	14,683,329	16,213,244	2,948,297	9,049,689	1,859,738	58,678	44,812,975
Change 2002-2011	25.8%	19.5%	173.3%	115.8%	124.2%	11.1%	42.7%

Fiscal year 2002 includes tax revenues collected in the general and special revenue funds.  
 Fiscal years 2003-2011 include all governmental funds.

Source: City of Auburn, Finance Department

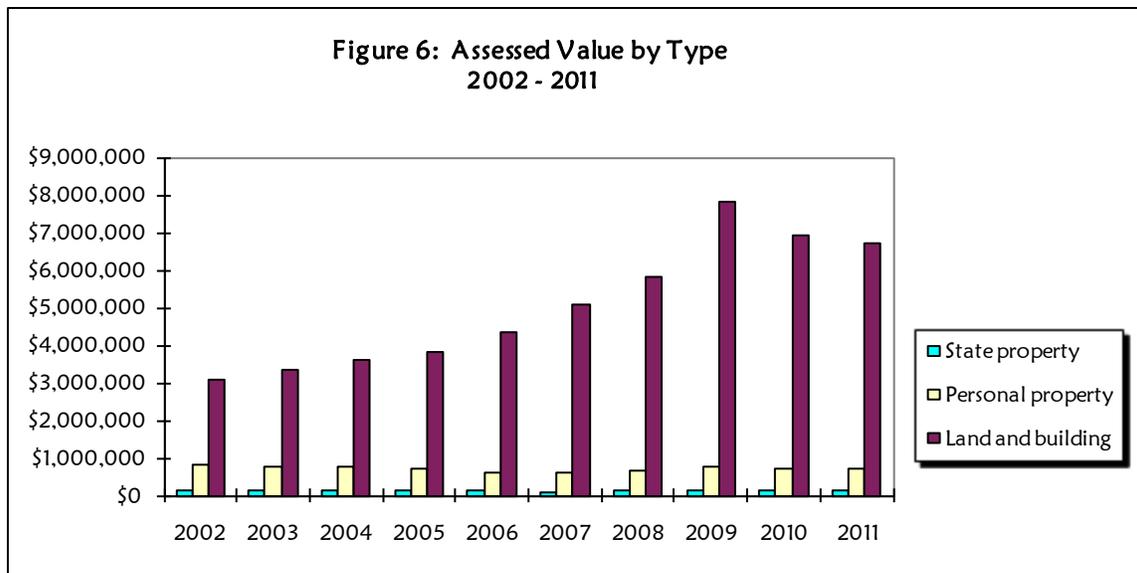


City of Auburn, Washington  
**SCHEDULE 6**  
**ASSESSED VALUE BY TYPE**  
 Last Ten Fiscal Years  
 (Amounts Expressed in Thousands)

Fiscal Year	State Property and Other	Personal Property	Land and Building	Total Assessed Value	Total Direct Rate
2002	115,189	800,159	3,104,524	4,019,872	2.93
2003	140,531	787,022	3,344,271	4,271,824	2.87
2004	150,458	742,255	3,599,466	4,492,179	2.88
2005	137,611	704,061	3,834,629	4,676,301	2.87
2006	116,895	623,298	4,359,276	5,099,469	2.73
2007	101,419	607,875	5,055,734	5,765,028	1.48
2008	112,101	640,004	5,804,585	6,556,690	1.49
2009	121,918	764,857	7,837,089	8,723,864 (*)	1.49
2010	114,661	715,534	6,935,683	7,765,878	1.82
2011	126,415	726,944	6,711,148	7,564,507	1.93

Source: King County Dept of Assessments & Pierce County Assessor-Treasurer

(\*) In 2009, Total Assessed Value increased significantly due to annexations of Lea Hill and West Hill areas

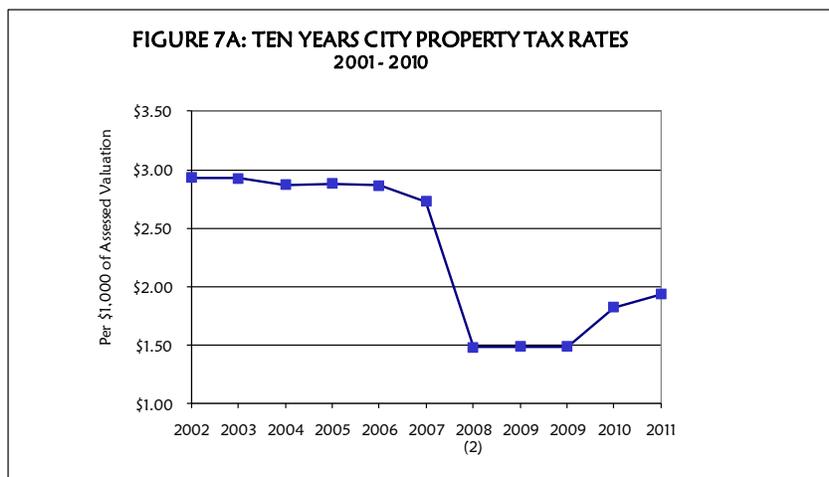


City of Auburn, Washington  
**SCHEDULE 7**  
**PROPERTY TAX DATA**  
 Last Ten Fiscal Years

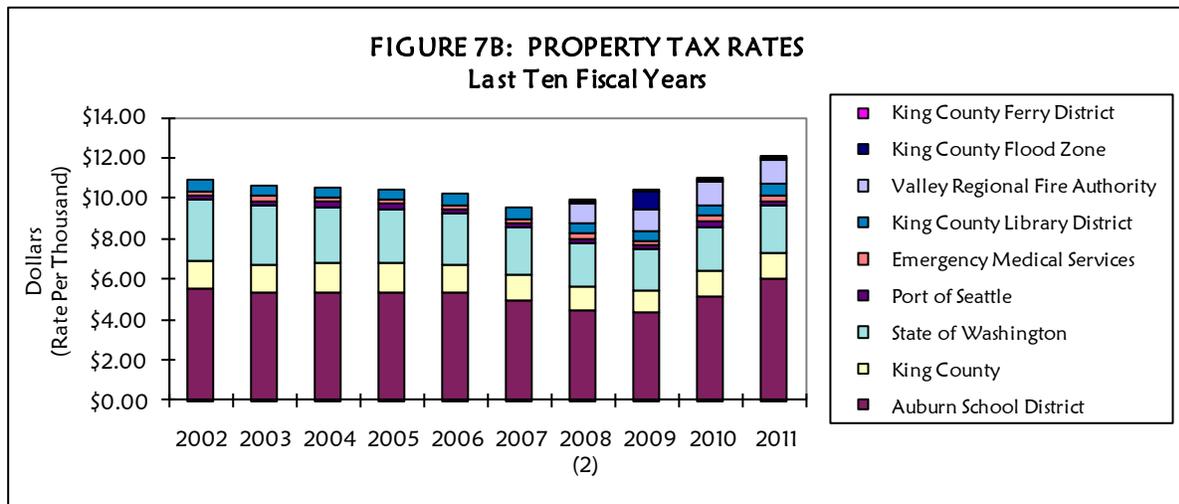
Item	2002	2003	2004	2005
<b>Assessed and estimated actual values <sup>(1)</sup></b>				
Estimated and actual value (in thousands)	\$ 4,019,872	\$ 4,271,824	\$ 4,492,179	\$ 4,676,301
Assessed value (in thousands)	4,019,872	4,271,824	4,492,179	4,676,301
Ratio of assessed to actual	100%	100%	100%	100%
<b>Property tax rates <sup>(1)</sup></b>				
Direct regular and special				
General fund	\$ 2.93353	\$ 2.92857	\$ 2.87319	\$ 2.88000
Debt service funds	-	-	-	-
Subtotal	<u>2.93353</u>	<u>2.92857</u>	<u>2.87319</u>	<u>2.88000</u>
<b>Overlapping regular and special <sup>(1)</sup></b>				
Auburn School District	\$ 5.47810	\$ 5.35720	\$ 5.34914	\$ 5.37195
King County	1.44949	1.34948	1.43146	1.38229
State of Washington	2.98946	2.89680	2.75678	2.68951
Port of Seattle	0.18956	0.25895	0.25402	0.25321
Emergency Medical Services	0.25000	0.24143	0.23717	0.23182
King County Library District	0.52581	0.54568	0.53653	0.53255
Valley Regional Fire Authority	-	-	-	-
King County Flood Zone	-	-	-	-
King County Ferry District	-	-	-	-
Subtotal	<u>10.88242</u>	<u>10.64954</u>	<u>10.56510</u>	<u>10.46133</u>
Total direct and overlapping	<u><u>\$ 13.81595</u></u>	<u><u>\$ 13.57811</u></u>	<u><u>\$ 13.43829</u></u>	<u><u>\$ 13.34133</u></u>

Sources:

- (1) King County and Pierce County Departments of Assessments; real and personal property has been assessed at 100% of the estimated actual value.
- (2) The decrease in property tax levy to \$1.48 is due to the incorporation of the new Valley Regional Fire Authority effective 1/1/07. The VRFA will assess its own property tax levy in 2008, partially offsetting what was previously levied by the City.



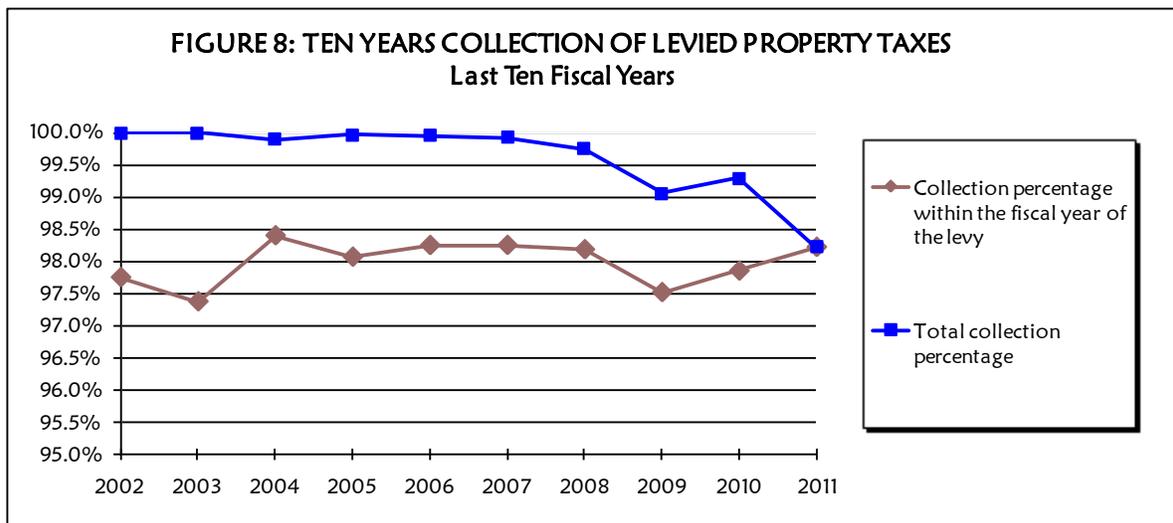
2006	2007	2008 <sup>(2)</sup>	2009	2010	2011
\$ 5,099,469	\$ 5,765,028	\$ 6,556,690	\$ 8,723,864	\$ 7,765,878	\$ 7,564,507
5,099,469	5,765,028	6,556,690	8,723,864	7,765,878	7,564,507
100%	100%	100%	100%	100%	100%
\$ 2.86520	\$ 2.73076	\$ 1.48385	\$ 1.48678	\$ 1.82336	\$ 1.93458
-	-	-	-	-	-
2.86520	2.73076	1.48385	1.48678	1.82336	1.93458
\$ 5.37383	\$ 4.94903	\$ 4.40970	\$ 4.37709	\$ 5.09382	\$ 5.99562
1.32869	1.28956	1.20770	1.09772	1.28499	1.33816
2.49787	2.32535	2.13233	1.96268	2.22253	2.27990
0.23330	0.23158	0.22359	0.19700	0.21597	0.22366
0.21982	0.20621	0.30000	0.27404	0.30000	0.30000
0.53424	0.50027	0.45336	0.41736	0.48526	0.56621
-	-	1.00000	1.10995	1.17910	1.17977
-	-	0.10000	0.91230	0.10514	0.10976
-	-	0.05500	0.05018	0.00348	0.00360
10.18775	9.50200	9.88168	10.39832	10.89029	11.99668
\$ 13.05295	\$ 12.23276	\$ 11.36553	\$ 11.88510	\$ 12.71365	\$ 13.93126



City of Auburn, Washington  
**SCHEDULE 8**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
 Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Current Year Levy Balance	
		Amount	% of Levy		Amount	% of Levy		
<b>King County:</b>								
2002	\$ 11,518,241	\$ 11,261,600	97.8%	\$ 256,107	\$ 11,517,707	100.0%	\$ 534	
2003	12,082,210	11,765,654	97.4%	315,783	12,081,437	100.0%	773	
2004	12,223,173	12,031,253	98.4%	178,573	12,209,826	99.9%	13,347	
2005	12,639,133	12,393,241	98.1%	240,879	12,634,120	100.0%	5,013	
2006	13,399,840	13,164,248	98.2%	228,999	13,393,247	100.0%	6,593	
2007	13,845,638	13,605,301	98.3%	228,945	13,834,246	99.9%	11,392	
2008	9,553,486	9,406,398	98.5%	124,483	9,530,881	99.8%	22,605	
2009	11,670,838	11,390,684	97.6%	182,031	11,572,715	99.2%	98,123	
2010	12,721,658	12,459,564	97.9%	172,604	12,632,168	99.3%	89,490	
2011	13,081,731	12,846,996	98.2%	-	12,846,996	98.2%	234,735	
							<u>\$ 482,606</u>	
<b>Pierce County:</b>								
2002	\$ 267,001	\$ 258,385	96.8%	\$ 8,616	\$ 267,001	100.0%	\$ -	
2003	435,886	423,834	97.2%	12,052	435,886	100.0%	-	
2004	579,828	566,356	97.7%	13,472	579,828	100.0%	-	
2005	783,135	769,223	98.2%	13,912	783,135	100.0%	-	
2006	1,242,039	1,220,642	98.3%	21,378	1,242,020	100.0%	19	
2007	1,851,622	1,816,706	98.1%	34,876	1,851,582	100.0%	40	
2008	1,226,835	1,177,665	96.0%	44,286	1,221,951	99.6%	4,884	
2009	1,264,690	1,223,668	96.8%	17,092	1,240,760	98.1%	23,930	
2010	1,494,931	1,451,377	97.1%	31,396	1,482,773	99.2%	12,158	
2011	1,425,494	1,401,537	98.3%	-	1,401,537	98.3%	23,957	
							<u>\$ 64,988</u>	
					<b>Total current levy balance</b>		<u>\$ 547,594</u>	

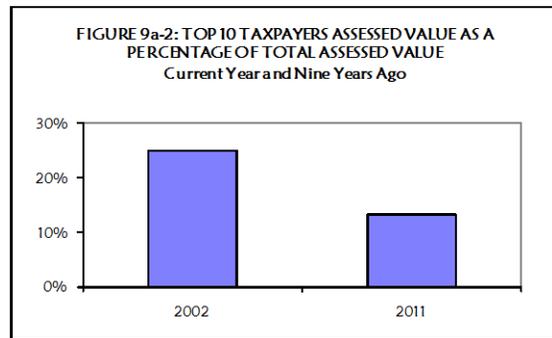
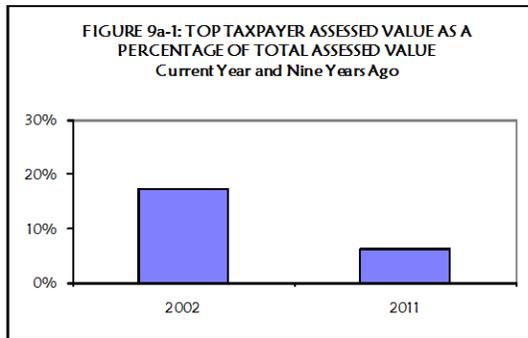
Source: King County Finance and Business Operations Division  
 Pierce County Budget and Finance Department



City of Auburn, Washington  
**SCHEDULE 9a**  
**PRINCIPAL TAXPAYERS-PROPERTY TAXES**  
 Current Year and Nine Years Ago

Taxpayer	2011			2002		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Boeing Company	\$ 469,398,671	1	6.21%	\$ 688,429,943	1	17.13%
Glimcher Realty Trust (Supermall)	109,755,583	2	1.45%	106,988,021	2	2.66%
Safeway	86,736,849	3	1.15%	-	-	-
Universal Health	65,886,195	4	0.87%	18,394,533	7	0.46%
Puget Sound Energy	64,805,982	5	0.86%	50,873,374	3	1.27%
Muckleshoot Indian Tribe	55,123,700	6	0.73%	-	-	-
Belara Communities LLC	51,114,300	7	0.68%	-	-	-
Park 277 (formerly EPropertyTax Inc.)	33,672,100	8	0.45%	-	-	-
UPS Supply Chain Solutions	31,155,543	9	0.41%	-	-	-
Wal-Mart Store	30,032,484	10	0.40%	10,450,000	10	0.26%
La Terra Limited Partnership	-	-	-	48,594,100	4	1.21%
Quadrant Corporation	-	-	-	-	-	-
Fritz Companies	-	-	-	22,800,000	6	0.57%
U.S. West Communications	-	-	-	29,739,794	5	0.74%
Roundup Co. (Fred Meyer)	-	-	-	15,355,360	8	0.38%
West Valley 29 Partners	-	-	-	12,541,700	9	0.31%
<b>TOTALS</b>	<b>\$ 997,681,407</b>		<b>13.19%</b>	<b>\$ 1,004,166,825</b>		<b>24.98%</b>

Source: King County and Pierce County Departments of Assessments  
 Total assessed value for 2011: \$ 7,564,507,343  
 Total assessed value for 2002: \$ 4,019,872,000



City of Auburn, Washington  
**SCHEDULE 9b**  
**PRINCIPAL TAXPAYERS-SALES TAXES**  
 Current Year and Nine Years Ago

2011				2002			
Sales Tax Received	Sector <sup>(1)</sup>	Rank	Percentage of Total City Sales Taxes Received	Sales Tax Received	Sector <sup>(1)</sup>	Rank	Percentage of Total City Sales Taxes Received
\$ 414,344	General Retail	1	3.3%	NOT AVAILABLE			
268,656	Automotive	2	2.1%				
267,158	Automotive	3	2.1%				
247,651	Automotive	4	1.9%				
242,912	Automotive	5	1.9%				
226,249	Automotive	6	1.8%				
214,231	General Retail	7	1.7%				
213,084	General Retail	8	1.7%				
208,392	Manufacturing	9	1.6%				
203,015	Automotive	10	1.6%				
<b>\$2,505,692</b>			<b>19.7%</b>				

Source: Washington State Department of Revenue

(1) It is illegal to disclose specific taxpayer sales tax information, so the above information is being provided without identification

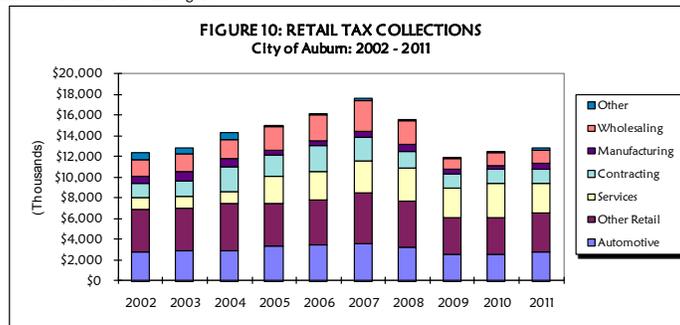
City of Auburn, Washington  
**SCHEDULE 10**  
**RETAIL TAX COLLECTIONS BY SECTOR**  
 Last Ten Fiscal Years  
 (Amounts Expressed in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>RETAIL TRADE SECTOR</b>										
Automotive/gas	\$ 2,827	\$ 2,862	\$ 2,893	\$ 3,326	\$ 3,428	\$ 3,643	\$ 3,255	\$ 2,559	\$ 2,553	\$ 2,785
Furniture	276	318	438	218	263	268	241	220	194	218
Electronics & appliances	-	-	-	451	288	262	242	132	121	127
Building materials	371	412	479	488	594	615	521	358	389	383
Food stores	526	401	395	358	346	378	360	352	354	331
Health & personal care	-	-	-	120	130	143	152	150	144	148
Apparel	646	649	765	836	874	899	873	781	752	754
General merchandise	646	909	990	970	941	974	872	833	801	968
Food/Drink	560	596	651	-	-	-	-	-	-	-
Misc retail trade	1,017	864	905	724	939	1,334	1,234	755	834	851
	6,869	7,011	7,515	7,491	7,803	8,516	7,750	6,140	6,142	6,566
<b>SERVICE SECTOR</b>										
Information	-	-	-	506	507	531	489	457	979	481
Finance & insurance	-	-	-	86	84	85	85	83	68	66
Real estate, rental, leasing	-	-	-	294	311	330	394	304	288	304
Professional, scientific, technical	-	-	-	119	116	162	146	200	191	175
Administrative, supply & remediation service	-	-	-	197	195	301	261	261	239	295
Educational	-	-	-	81	81	87	91	42	56	53
Healthcare & social services	-	-	-	45	33	88	98	61	37	41
Arts & entertainment	-	-	-	104	126	172	171	147	154	149
Accommodation & food service	-	-	-	764	833	870	915	827	806	839
Other services	-	-	-	477	492	502	457	485	493	482
	-	-	-	2,673	2,779	3,128	3,107	2,867	3,310	2,882
<b>OTHER SECTORS</b>										
Services <sup>(1)</sup>	1,154	1,182	1,152	-	-	-	-	-	-	-
Construction	1,448	1,514	2,402	2,008	2,453	2,240	1,647	1,368	1,322	1,296
Manufacturing	607	882	793	414	486	625	643	383	411	583
Transportation	426	400	401	31	26	22	76	31	29	77
Wholesaling	1,676	1,674	1,795	2,313	2,571	2,943	2,306	1,073	1,180	1,260
Banking	110	98	127	-	-	-	-	-	-	-
Other business	126	121	108	73	72	143	72	47	128	224
Subtotal - other sectors	5,547	5,871	6,779	4,839	5,607	5,973	4,744	2,902	3,071	3,439
<b>GRAND TOTAL</b>	<b>\$ 12,416</b>	<b>\$ 12,882</b>	<b>\$ 14,294</b>	<b>\$ 15,003</b>	<b>\$ 16,189</b>	<b>\$ 17,617</b>	<b>\$ 15,601</b>	<b>\$ 11,909</b>	<b>\$ 12,523</b>	<b>\$ 12,887</b>
<b>OVERLAPPING SALES TAX RATES</b>										
<b>Basic sales tax rates</b>										
City of Auburn	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
Washington State	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
King County	0.16%	0.16%	0.16%	0.16%	0.16%	0.26%	0.36%	0.36%	0.36%	0.36%
Regional Transit Authority	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.90%	0.90%	0.90%
Metro	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Criminal Justice	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Total basic sales tax rate	8.80%	8.80%	8.80%	8.80%	8.80%	8.90%	9.00%	9.50%	9.50%	9.50%
<b>Special sales tax rates</b>										
Restaurants-for stadium funding <sup>(2)</sup>	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Motor vehicles-for multimodal transportation	0.00%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%

(1) Starting in March of 2005, the State of Washington switched from classifying retail sales using the Standard Industrial Classification (SIC) code to the North American Industry Classification System (NAICS). As a result, specific trend comparisons of 2005 results to prior year may not be meaningful.

(2) This tax expired on October 1, 2011

Source: City of Auburn Finance department and State of Washington

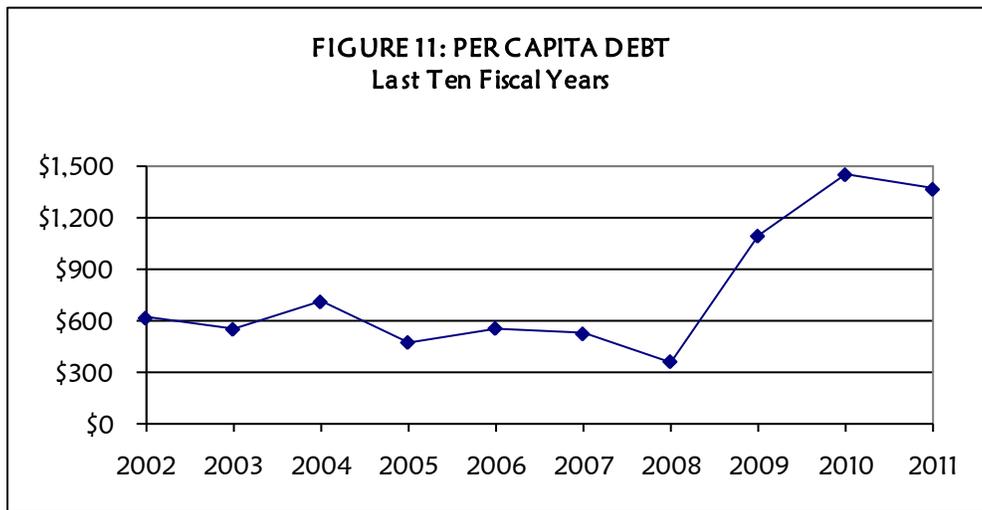


City of Auburn, Washington  
**SCHEDULE 11**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Revenue Bonds	Public Works Trust Fund Loans			
2002	\$ 7,402,000	\$ 548,904	\$ 1,367,108	\$ 10,190,000	\$ 7,826,039	\$ 27,334,051	3.84%	\$ 611.71
2003	7,088,000	347,904	689,643	9,230,000	7,428,695	24,784,242	3.27%	546.45
2004	6,754,000	228,354	10,322,787	8,220,000	7,066,042	32,591,183	4.16%	706.43
2005	6,478,000	132,354	-	7,020,000	8,679,509	22,309,863	2.68%	469.98
2006	11,210,000	36,827	-	5,905,000	9,853,410	27,005,237	3.04%	551.63
2007	10,650,000	36,827	663,553	4,730,000	10,149,419	26,229,799	2.77%	519.71
2008	10,053,000	36,827	646,799	3,495,000	9,730,324	23,961,950	1.82%	357.61
2009	36,160,850	36,827	25,193,600	2,200,000	10,014,943	73,606,220	4.11%	1,090.70
2010	64,816,850	-	604,685	23,220,000	10,296,024	98,937,559	5.35%	1,449.21
2011	63,430,850	-	566,212	22,930,000	9,491,810	96,418,872	5.07%	1,363.68

Source: City of Auburn, Finance Department

(1) Personal income data provided by US Census Bureau estimate for 2011; Hebert Research for 2000, 2004, 2005 and 2010 only;



City of Auburn, Washington  
**SCHEDULE 12**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
 As of December 31, 2011

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Spaces	Utility Purpose	
December 31, 2011 - Total Assessed Value:	7,199,853,130				
2.5% of Assessed Value	\$ -	\$ 179,996,328	\$ 179,996,328	\$ 179,996,328	\$ 539,988,985
1.5% of Assessed Value	107,997,797	(107,997,797)	-	-	-
Statutory Debt Limit	107,997,797	71,998,531	179,996,328	179,996,328	539,988,985
Debt Outstanding	65,363,569	-	-	-	65,363,569
Less Redemption Fund Assets:					
Available to Pay Principal	5,169,295	-	-	-	5,169,295
Plus liabilities:					
Payables	3,279,413	-	-	-	3,279,413
Vacation/Sick Leave	1,943,624	-	-	-	1,943,624
Net Debt Outstanding	65,417,311	-	-	-	65,417,311
Remaining Debt Capacity	\$ 42,580,486	\$ 71,998,531	\$ 179,996,328	\$ 179,996,328	\$ 474,571,674

City of Auburn, Washington  
**SCHEDULE 13**  
**LEGAL DEBT MARGIN RATIOS**  
 Last Ten Fiscal Years  
 (Expressed in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 294,669	\$ 336,913	\$ 350,782	\$ 350,782	\$ 432,377	\$ 489,472	\$ 653,979	\$ 577,669	\$ 565,822	\$ 539,989
Total net debt applicable to limit	(1,610)	3,576	17,055	17,055	11,352	10,757	10,771	62,671	66,868	65,364
Legal debt margin	\$ 296,279	\$ 333,337	\$ 333,727	\$ 333,727	\$ 421,025	\$ 478,715	\$ 643,208	\$ 514,998	\$ 498,954	\$ 474,625
Total net debt applicable to the limit as a percentage of debt limit	(0.55%)	1.06%	4.86%	4.86%	2.63%	2.20%	1.65%	10.85%	11.82%	12.10%

City of Auburn, Washington  
**SCHEDULE 14**  
**COMPUTATION OF NET DIRECT AND ESTIMATED OVERLAPPING DEBT**  
As of December 31, 2011

	Net Debt Outstanding	Percent Applicable <sup>(3)</sup>	Bonded Amount Applicable
<b>Net direct debt:</b>			
Net direct debt - City of Auburn <sup>(1)</sup>			\$ 63,430,850
<b>Estimated net overlapping debt: <sup>(2)</sup></b>			
King County	\$ 1,249,992,813	2.07%	\$ 25,874,851
Port of Seattle	336,120,000	2.07%	6,957,684
School District No. 210	210,808,708	2.37%	4,996,166
School District No. 408	88,340,000	77.39%	68,366,326
School District No. 415	210,908,488	1.93%	4,070,534
Rural Library District	124,123,367	3.29%	4,083,659
Valley Regional Fire Authority	18,020,000	89.59%	16,144,118
Pierce County	150,840,721	0.91%	1,372,651
Total estimated net overlapping debt			<u>131,865,989</u>
Total direct and overlapping debt			<u>\$ 195,296,839</u>

## Sources:

- (1) City of Auburn finance department; includes both bonded and non bonded general long-term debt
- (2) Overlapping governments
- (3) King County Assessors office and Pierce County Assessors office.

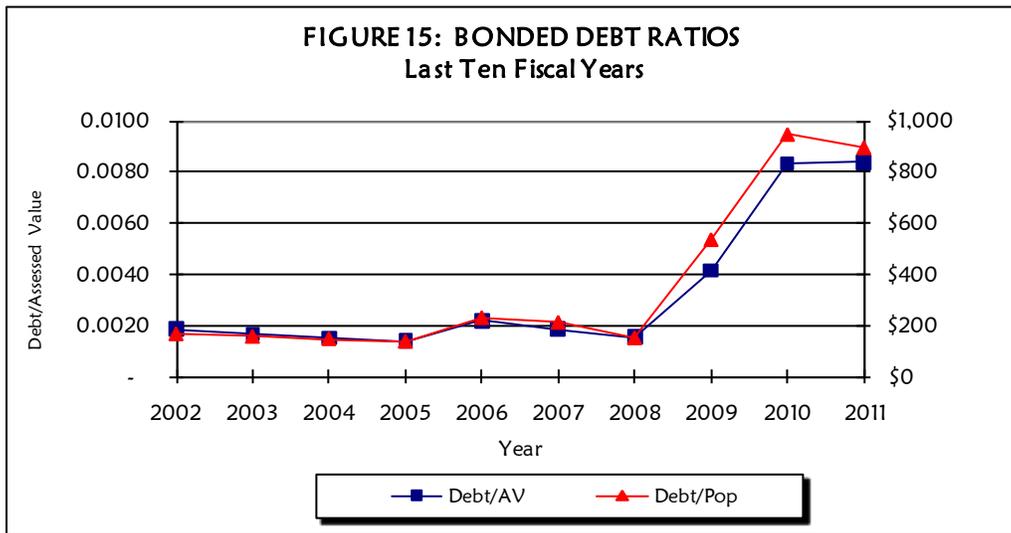
Calculation of overlapping debt: applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Auburn.

City of Auburn, Washington  
**SCHEDULE 15**  
**RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE**  
**AND GROSS BONDED DEBT PER CAPITA**  
 Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value <sup>(1)</sup> (Thousands)	Gross Bonded Debt <sup>(2)</sup>	Debt Service Amount <sup>(3)</sup> Available	Net Bonded Debt (Thousands)	Ratio of Net Bonded Debt to Assessed Value	Gross Bonded Debt per Capita
2002	44,685	\$ 4,019,872	\$ 7,402,000	\$ 5,043	\$ 7,397	0.18%	\$ 166
2003	45,546	4,271,824	7,088,000	5,278	7,083	0.17%	156
2004	46,135	4,492,179	6,754,000	7,248	6,747	0.15%	146
2005	47,470	4,676,301	6,478,000	14,256	6,464	0.14%	136
2006	48,955	5,099,469	11,210,000	25,372	11,185	0.22%	229
2007	50,470	5,765,028	10,650,000	35,810	10,614	0.18%	211
2008	67,005	6,556,690	10,053,000	41,603	10,011	0.15%	150
2009	67,485	8,723,864	36,160,850	37,746	36,123	0.41%	536
2010	68,270	7,765,878	64,816,850	46,058	64,771	0.83%	949
2011	70,705	7,564,507	63,430,850	45,754	63,385	0.84%	897

Notes:

- (1) From Schedule 6
- (2) Amount does not include special assessment and revenue bond debt.
- (3) Fund balance from debt service fund.



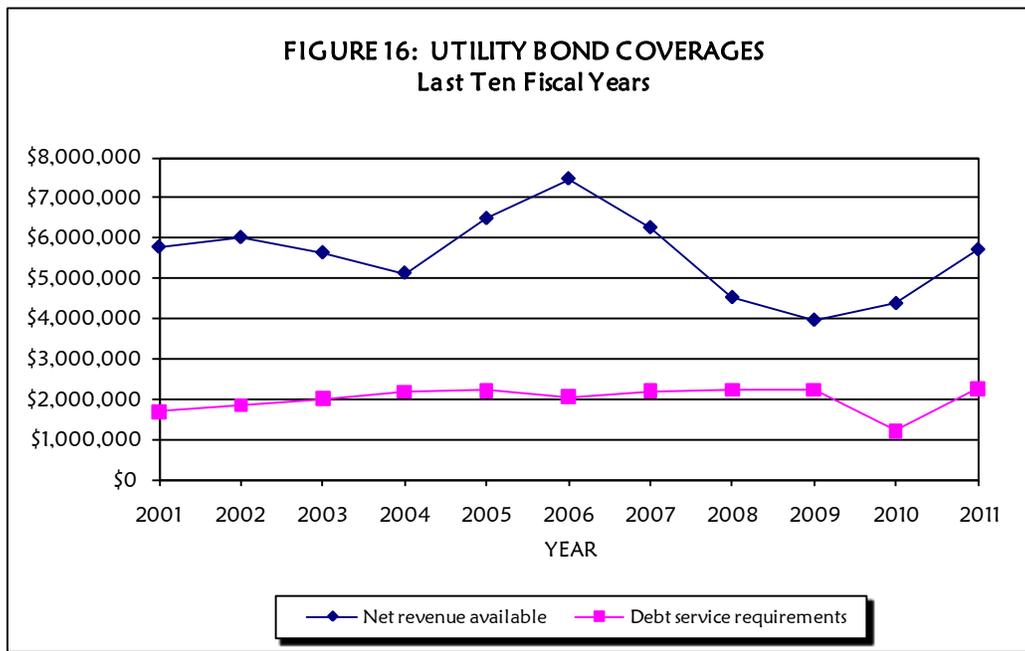
City of Auburn, Washington  
**SCHEDULE 16**  
**PLEDGED REVENUE BOND COVERAGES**  
 Last Ten Fiscal Years

Year	Gross <sup>(1)</sup> Revenue	Direct <sup>(2)</sup> Operating Expense	Net Revenue Available	Debt Service Requirements			Times Coverage
				Principal	Interest	Total <sup>(3)</sup>	
2001	\$ 18,638,847	\$ 12,866,310	\$ 5,772,537	\$ 1,102,368	\$ 579,260	\$ 1,681,628	3.43
2002	19,928,128	13,917,916	6,010,212	1,142,368	707,581	1,849,949	3.25
2003	21,243,060	15,611,753	5,631,307	1,407,343	603,357	2,010,700	2.80
2004	21,958,359	16,834,837	5,123,522	1,633,533	539,754	2,173,287	2.36
2005	24,562,487	18,078,747	6,483,740	1,800,568	417,834	2,218,402	2.92
2006	27,087,351	19,615,315	7,472,036	1,718,412	333,016	2,051,428	3.64
2007	27,492,779	21,237,294	6,255,485	1,914,523	281,065	2,195,588	2.85
2008	27,665,498	23,149,802	4,515,696	1,942,938	279,765	2,222,703	2.03
2009	31,265,941	27,314,611	3,951,330	2,002,938	217,283	2,220,221	1.78
2010	33,115,398	28,749,877	4,365,520	1,056,094	150,675	1,206,769	3.62
2011	34,909,200	29,201,088	5,708,112	1,013,830	1,248,612	2,262,442	2.52

Source: City of Auburn, Finance Department

(1) Includes water, sewer & storm drainage operating, interest and other revenues.

(2) Includes water, sewer & storm drainage operating expenses less depreciation.

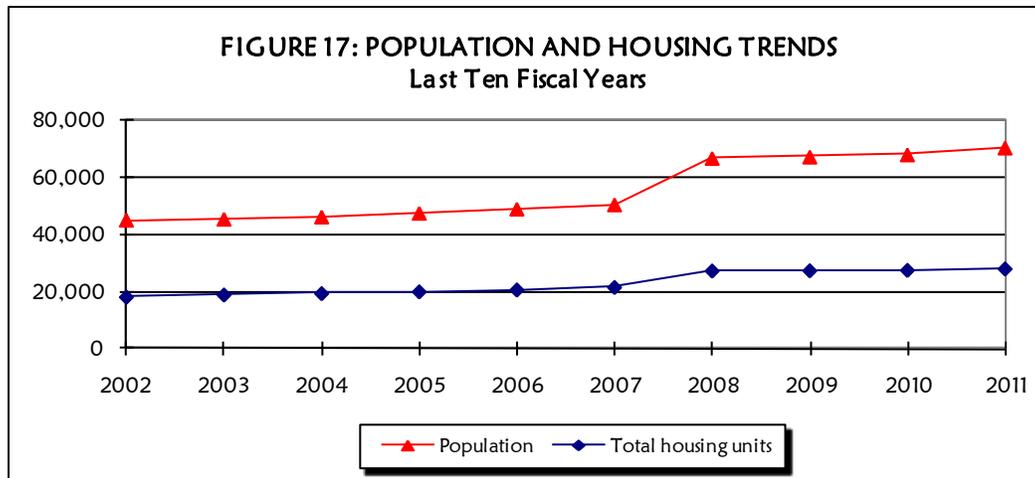


City of Auburn, Washington  
**SCHEDULE 17**  
**POPULATION, INCOME AND HOUSING TRENDS**  
 Last Ten Fiscal Years

Item	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
School enrollment <sup>(1)</sup>	13,504	13,461	13,838	13,760	14,367	14,559	14,716	14,589	14,482	14,363
Rate of unemployment <sup>(2)</sup>	6.1%	6.2%	5.1%	4.6%	4.1%	3.7%	4.2%	8.1%	8.7%	7.8%
Population <sup>(3)</sup>	45,010	45,355	46,135	47,470	48,955	50,470	67,005	67,485	68,270	70,705
Personal income (thousands of dollars) <sup>(4)</sup>	\$1,040,462	\$1,094,254	\$ 1,161,714	\$1,247,566	\$ 1,342,818	\$ 1,444,871	\$2,024,087	\$ 1,989,661	\$1,848,752	\$ 1,901,540
Per capita personal income <sup>(4)</sup>	\$ 23,116	\$ 24,126	\$ 25,181	\$ 26,281	\$ 27,430	\$ 28,628	\$ 30,208	\$ 29,483	\$ 27,080	\$ 26,894
Housing units <sup>(5)</sup>										
One unit	8,671	8,745	8,990	9,105	9,402	9,625	14,186	14,235	14,333	14,823
Two or more	7,452	7,790	8,078	8,655	8,943	9,623	10,375	10,391	10,426	10,592
Mobile home or special	2,144	2,474	2,421	2,346	2,407	2,382	2,761	2,782	2,794	2,635
Total housing units	18,267	19,009	19,489	20,106	20,752	21,630	27,322	27,408	27,553	28,050

Sources:

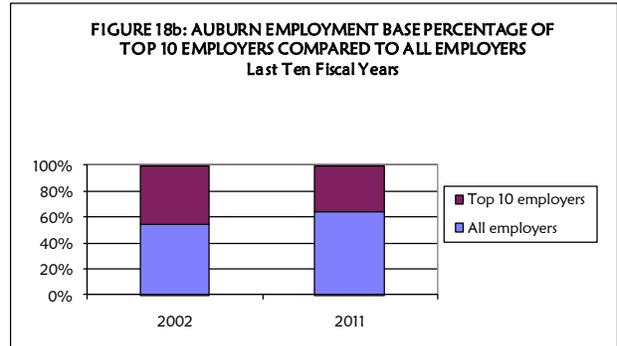
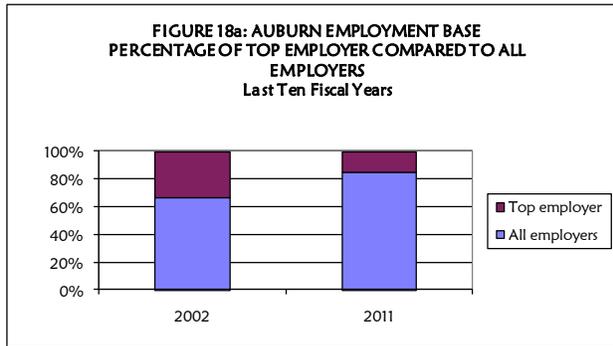
- (1) Auburn School District No. 408
- (2) Bureau of Labor Statistics
- (3) WA State Office of Financial Management
- (4) US Census Bureau
- (5) Office of Financial Management



City of Auburn, Washington  
**SCHEDULE 18**  
**MAJOR EMPLOYERS**  
 Current Year and Nine Years Ago

Employer	Product/service	2011			2002		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Boeing Company	Aerospace	5,179	1	17.3%	10,000	1	50.5%
Muckleshoot Tribal Enterprises	Gaming	2,500	2	8.3%	1,200	3	4.7%
Auburn School District	Education	1,800	3	6.0%	1,682	2	7.6%
Super Mall	Retail	1,700	4	5.7%			
Green River Community College	Education	1,067	5	3.6%	900	4	3.4%
Auburn Regional Medical Center	Hospital	805	6	2.7%	500	7	2.8%
Emerald Downs Racetrack	Horse racing	678	7	2.3%	600	5	3.4%
Safeway	Grocery Retail/Distribution	650	8	2.2%			
Social Security Administration	Govt / public offices	600	9	2.0%	536	6	3.0%
Federal Aviation Administration	Federal government	500	10	1.7%	500	7	2.8%
General Services Administration	Federal government	500	10	1.7%	325	9	2.0%
Zones, Inc.	Technology reseller	500	10	1.7%			
City of Auburn	City government				438	8	2.6%
Fred Meyer	Retail				289	10	1.7%
<b>TOTALS</b>		<b>16,479</b>		<b>55.0%</b>	<b>16,970</b>		<b>84.5%</b>

Sources: WA Employment Security Department  
 City of Auburn Economic Development Department

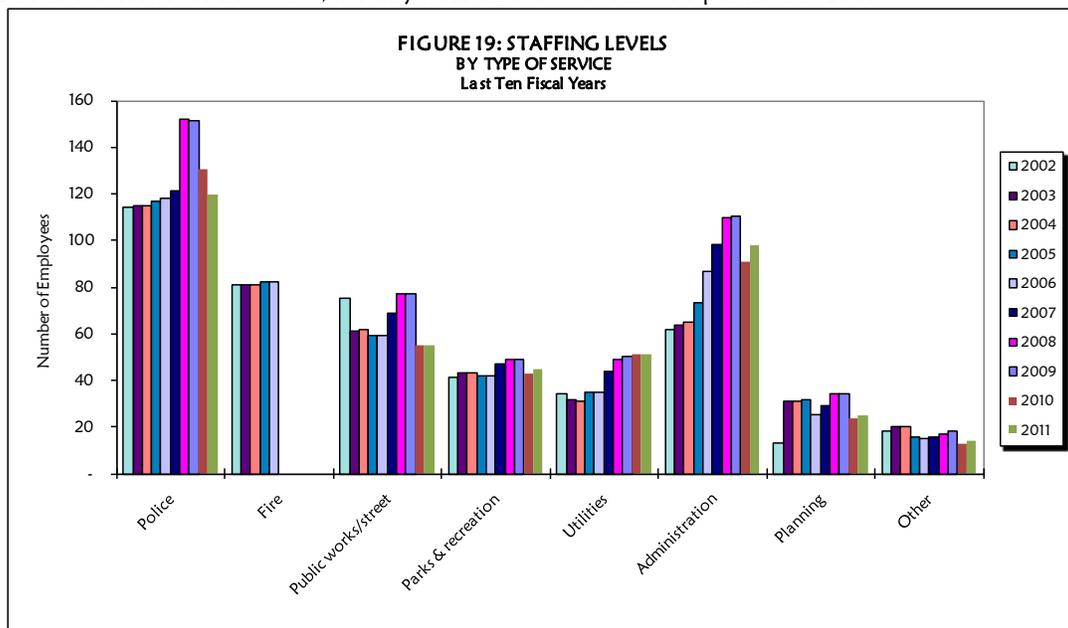


City of Auburn, Washington  
**SCHEDULE 19**  
**STAFFING LEVELS BY DEPARTMENT**  
 Last Ten Fiscal Years

Department	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mayor	3	4	4	8	10	11	12	12	10	11
Human resources	7	7	7	7	15	17	18	9	7	7
Finance	27	28	28	21	23	24	25	25	21	22
Municipal court	12	12	13	14	15	17	21	21	17	20
Legal	13	13	13	13	13	14	16	16	13	13
Planning	13	31	31	32	25	29	34	34	24	25
Police	114	115	115	117	118	121	152	152	131	120
Fire <sup>(1)</sup>	81	81	81	82	82	-	-	-	-	-
Public works	62	48	49	48	48	54	63	63	43	43
Parks & recreation	35	37	37	36	36	38	40	40	35	37
Street	13	13	13	11	11	15	14	14	12	12
Water	14	16	16	16	16	19	20	20	22	22
Sewer	7	7	6	8	8	11	11	11	11	11
Storm utility	7	7	7	9	9	12	16	17	16	16
Solid waste	6	2	2	2	2	2	2	2	2	2
Airport	3	3	3	-	-	-	-	-	-	-
Cemetery	7	7	7	6	6	7	7	7	7	7
Golf course	6	6	6	6	6	9	9	9	8	8
Facilities <sup>(2)</sup>	-	-	-	-	-	-	-	10	10	10
Information services	-	-	-	10	11	15	18	18	14	15
Equipment Rental	8	10	10	10	9	9	10	11	6	7
<b>TOTAL</b>	<b>438</b>	<b>447</b>	<b>448</b>	<b>456</b>	<b>463</b>	<b>424</b>	<b>488</b>	<b>490</b>	<b>408</b>	<b>408</b>

Source: City of Auburn Finance Department

- (1) No data is presented for Fire employees for 2007 and thereafter due to incorporation of Fire department into a separate legal entity effective 1/1/07.
- (2) Facilities Division was previously included in the Human Resources Department prior to the creation of a new Internal Service fund in 2009.
- (3) Due to the economic downturn, the City froze 82.5 of the total 490 positions in 2009.



City of Auburn, Washington  
**SCHEDULE 20**  
**OPERATING INDICATORS BY DEPARTMENT**  
 Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Planning</b>										
Commercial permits	434	337	217	240	248	214	95	112	18	38
Commercial construction value (\$1,000's)	\$ 56,257	\$ 50,269	\$ 77,121	\$ 71,047	\$ 63,658	\$ 63,658	\$ 22,887	\$ 58,896	\$ 8,386	\$ 10,904
Residential permits	421	583	766	604	485	293	165	85	184	229
Residential construction value (\$1,000's)	\$ 55,108	\$ 89,415	\$ 155,551	\$ 112,125	\$ 61,872	\$ 61,872	\$ 27,048	\$ 15,739	\$ 36,602	\$ 43,574
<b>Police</b>										
Crimes:										
Arson	46	45	43	33	36	30	24	19	23	29
Assault	169	145	135	168	158	143	154	163	137	148
Burglary	578	596	861	623	686	590	630	590	725	757
DUI	170	189	240	218	158	145	194	193	192	214
Homicide	3	2	1	1	-	1	-	3	3	2
Narcotics	499	506	399	472	493	368	439	440	442	396
Rape	33	32	24	13	24	12	14	13	15	23
Robbery	68	69	91	85	122	92	102	92	79	107
Theft	2,243	2,082	2,344	2,509	2,216	1,962	2,343	2,362	2,533	2,435
Theft - motor vehicle	875	816	802	869	642	672	639	370	569	600
Traffic:										
Non-criminal	9,643	9,946	7,962	6,850	4,978	6,865	6,794	7,788	7,182	5,400
Parking	2,188	1,821	1,827	2,140	3,965	4,802	3,740	4,026	4,648	3,383
<b>Fire <sup>(3)</sup></b>										
Type of response:										
Building	101	114	107	94	98	-	-	-	-	-
Non-building	260	305	249	198	238	-	-	-	-	-
Alarm systems	511	486	497	474	524	-	-	-	-	-
Service	370	465	493	493	618	-	-	-	-	-
Other	819	917	940	870	979	-	-	-	-	-
First Aid	5,177	5,155	5,562	5,679	5,616	-	-	-	-	-
<b>Parks and Recreation</b>										
Athletic teams	467	523	507	445	459	479	416	428	439	429
Recreation activities	1,527	1,708	1,896	2,086	2,069	2,719	2,056	2,335	2,281	3,462
Golf course rounds <sup>(1)</sup>	53,967	41,753	45,336	47,501	43,454	50,500	54,993	50,572	49,950	45,484
Senior center visits	32,121	31,418	32,103	35,308	35,381	34,427	36,805	41,032	41,350	41,802
Cultural activities	88	55	56	56	58	84	84	90	101	127
Museum audience served <sup>(2)</sup>	8,994	9,417	10,274	9,340	9,400	12,090	11,921	11,835	12,570	14,119
Cemetery burials	277	272	271	277	277	245	289	232	228	273

Sources: Various city departments

(1) 2003 - Portion of golf course closed for two months

(2) 2002 - Museum actual service has increased; decline in count due to change in calculation method

(3) 2007 - Effective 1/1/2007 Valley Regional Fire Authority formed replacing the Fire Departments of Auburn, Pacific and Algona.

City of Auburn, Washington  
**SCHEDULE 21**  
**CAPITAL ASSET INDICATORS BY DEPARTMENT**  
 Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General City</b>										
Total area (square miles)	22.7	22.8	22.8	23.3	23.4	23.4	30.0	30.1	30.1	30.2
<b>Public Works</b>										
Miles of streets	166	180	180	180	180	186	272	276	283	285
Number of streetlights	2,934	2,934	3,355	3,410	3,575	3,602	5,074	5,392	5,523	5,581
Number of traffic signals	n/a	n/a	66	72	72	72	83	85	86	89
<b>Utilities</b>										
Number of services	12,014	12,077	12,144	12,833	12,633	12,954	13,050	13,076	13,372	13,334
Miles of water mains	247	252	254	278	279	287	283	293	297	304
Miles of sanitary sewers	149	176	177	177	177	182	205	207	213	213
Miles of storm sewers	n/a	n/a	185	190	195	197	197	204	226	247
Number of fire hydrants	n/a	n/a	2,270	2,285	2,300	2,369	2,969	2,998	3,044	3,277
<b>Public Safety</b>										
Number of fire stations <sup>(1)</sup>	3	3	3	3	3	-	-	-	-	-
Number of police stations	3	2	2	2	2	2	2	2	2	2
<b>Parks and Recreation</b>										
Total park acreage	533	535	592	596	596	596	598	602	602	602
Number of softball/baseball fields	n/a	n/a	19	19	19	19	19	18	18	18
Number of soccer/football fields	n/a	n/a	3	3	3	3	3	3	3	3
Number of playgrounds	n/a	n/a	25	29	30	30	32	33	35	35

Sources: Various city departments

(1) Effective 1/1/2007 Valley Regional Fire Authority formed replacing the Fire Departments of Auburn, Pacific and Algonia.

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