

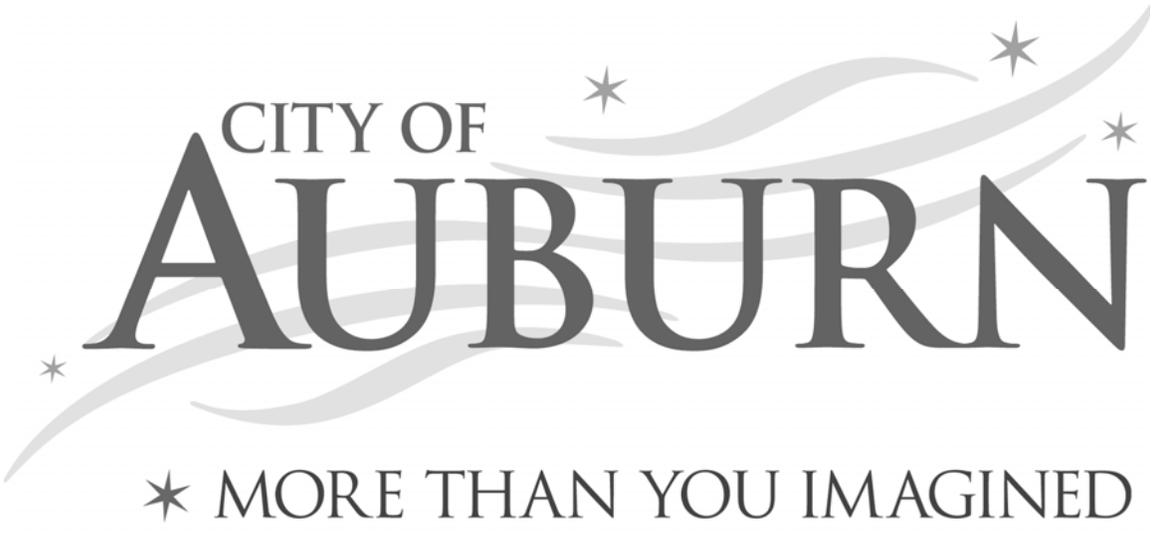


2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010





CITY OF
AUBURN

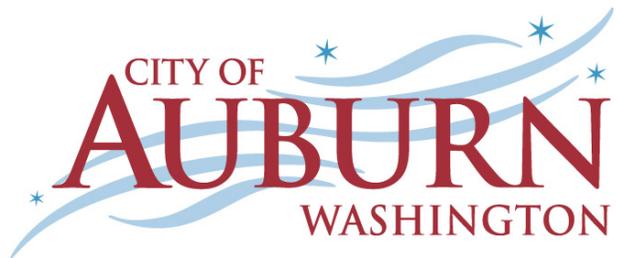
* MORE THAN YOU IMAGINED

CITY OF AUBURN

WASHINGTON

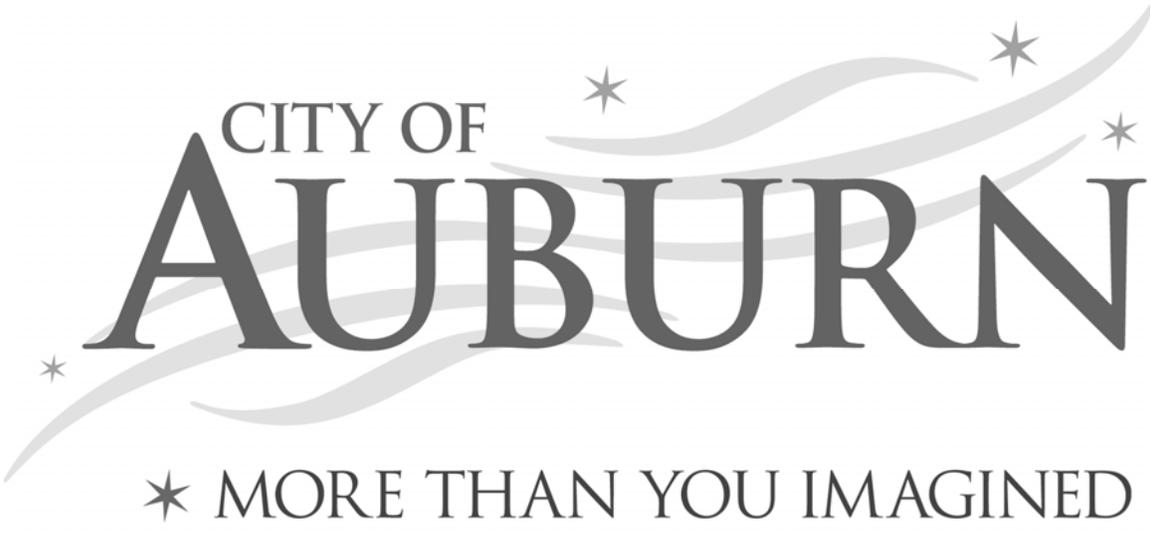
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year January 1, 2010 through December 31, 2010



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, 2010

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CITY OFFICIALS

MAYOR
Pete Lewis

CITY COUNCIL



Nancy Backus



Virginia Haugen



Lynn Norman



John Partridge



Bill Peloza



Sue Singer

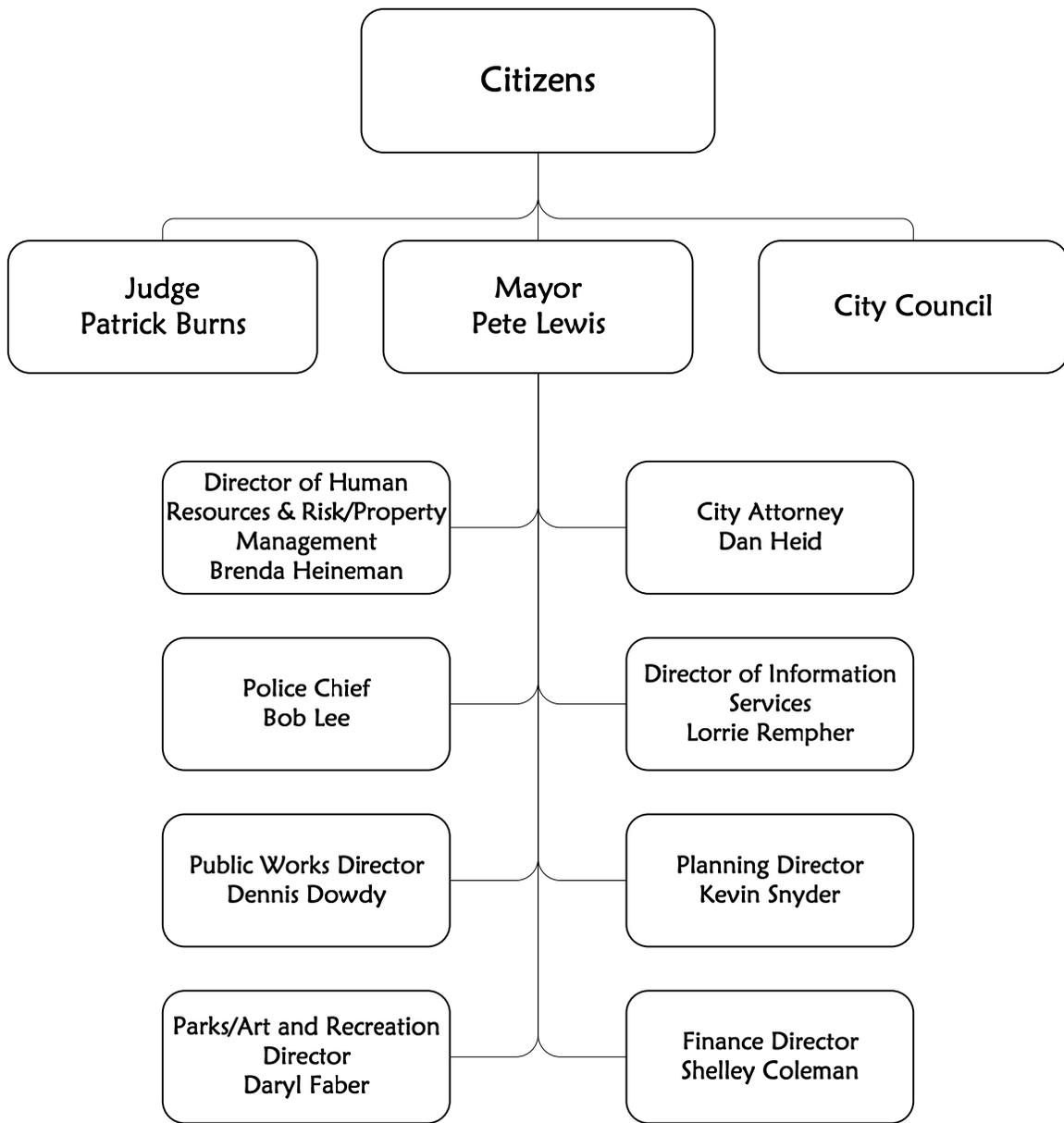


Rich Wagner

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 Rempfer
Daryl Faber
Kevin Snyder
Bob Lee
Dennis Dowdy



Finance Committee
 Nancy Backus, Chairperson
 Lynn Norman, Vice Chair
 Rich Wagner

Municipal Services Committee
 Bill Peloza, Chairperson
 Sue Singer, Vice Chair
 John Partridge

Planning & Community Development Committee
 Lynn Norman, Chairperson
 Nancy Backus, Vice Chair
 John Partridge

Public Works Committee
 Rich Wagner, Chairperson
 Bill Peloza, Vice Chair
 Virginia Haugen

June 20, 2011

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, 2010. 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, 2010. 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 principals 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, 2010 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 2009 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 41% 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 68,270 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, 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 2010, for 2011 property tax collection, was \$7.544 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 as the area surrounding the SuperMall continues to develop as well as the 277th Street business corridor. 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 and the new Safeway distribution center. Auburn has also been a center for automobile sales for a number of years, drawing customers throughout the Puget Sound region.

Since 2000 the City's total assessed property valuation has more than doubled from \$3.0 billion to \$7.5 billion. The sales tax receipts went from \$13.4 million to \$15.7 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 \$15.7 million in 2010. 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 2010. The 2011 State Legislature has reduced the payment by 3% for 2011 and 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 forty percent of the General Fund budget, increased to \$15.7 million (+6.3%) 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), the lowest it has been over the past 10 years and have froze 82.5 FTEs in 2009. These positions have now been removed from the 2011 and 2012 biennial budget.

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 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 divestiture over the past several years in the Puget Sound area has had an effect on the regional and local economy. From 2001 through 2010 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 and Cumulative Reserve funds contain satisfactory balances, 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 Utility funds issued \$20 million in revenue bonds late in 2010 in conjunction with the 2009 updated comprehensive plan. The plan provided up to \$40 million in bonds issuances over a six year period which will be serviced with scheduled rate increases through 2014. The bonds will provide additional water storage, update and rehabilitate sewer pump stations and provide for additional water supply from a neighboring purveyor. The City completed a comprehensive plan update in 2009 for all utilities and scheduled rate increases through 2014 were approved by the City as a result.

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, reconstruction of local neighborhood streets, the A Street NW corridor, the M street underpass project, and the downtown promenade/utility project. 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. Also underway is construction on an activity Center at the Les Gove Park campus.

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 2010 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 2010. 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, 2009. This was the twenty-third 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 nineteen years. The City was one of just thirty-four cities in the state to receive both the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation award for 2009.

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,

A handwritten signature in black ink that reads "Shelley Coleman". The signature is written in a cursive, flowing style.

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, 2009

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.



President

Executive Director

CITY OF
AUBURN

* MORE THAN YOU IMAGINED



Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 20, 2011

Mayor
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, 2010, 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Arterial Street funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 20, 2011, 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.

The management's discussion and analysis on pages 15 through 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

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 \$567.5 million, an increase of \$14.1 million or 2.5%. Of this, a total of \$472.9 million, or 83.3% 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 \$5.0 million of net assets is restricted for purposes of endowment and debt service. Of the remaining \$89.9 million of net assets, \$14.2 million is legally restricted, reserved by City policy for specific purposes, or is restricted for use by the City's utilities and \$75.4 million is unrestricted.
- The net increase in government-wide net assets during 2010 was \$14.1 million. Of this amount, \$7.5 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 \$11.2 million during 2010, reflecting the combined effects of stronger than expected revenue collections and the City's continued vigilance in closely monitoring expenses following the economic downturn.
- Business-type net assets increased by \$2.9 million to \$185.0 million during 2010 as a result of capital contributions related to the City's water, sewer and stormwater utilities.
- Governmental fund balances at year-end totaled \$45.2 million. Of this amount, \$43.6 million, or 96%, is unreserved and available to fund ongoing activities. However, the majority of the unreserved fund balance relates to special revenue funds and, as such, is legally restricted for specific purposes. Included in unreserved fund balance is \$5.7 million in the cumulative reserve fund that is intended to provide resources in the event of significant downturns in certain City funds or provide for capital needs as designated by the City Council.

Compared to 2009, total governmental fund balances increased by \$4.7 million. This increase reflect receipt of resources for local revitalization funding, fund balance increases for the General Fund (due to refinancing of debt related to Valley Communications and lower interfund transfers), and local street improvements.

- Total City debt payments during the year, net of compensated absences, were \$30.1 million. Total outstanding debt, including bonds and loans, totaled \$102 million at December 31, 2010. This ending debt balance is an increase of \$25.7 million from 2009 and is the result of the 2010 LGTO issuance of \$31.9 million, the 2010 Utility System issuance of \$21.2 million and the reduction of the City Hall Annex office space capital lease of \$24.5 million. See note 9 for further information on debt activity during the year.

Other City Highlights:

Parks and Community Development

- Completed design of the South Division Street Promenade Project. Received a \$3.0 million Economic Development Administration grant in support of this project.
- Completed design and began construction of the City Hall Plaza project.
- Demolish and replace existing lights around the Game Farm Park soccer fields.
- Construct new parking area for the Mary Olson Farm parking lot
- Complete White River Trail extension from Roegner Park to A Street SE.
- Completed construction of the City Annex, enabling the relocation of several city functions including Finance, Public Works, Planning, Information Services and the Emergency Operations Center.
- Completed one-stop multi-service center, offering City residents and businesses a convenient, single location to access City services.
- Successfully recruited several businesses to the City of Auburn, resulting in the creation of 180 private sector jobs.

Public Works

- Repair and replace existing sewer problems throughout the City.
- Replace failing culverts on Mill Creek under Peasely Canyon Road.
- Replace the Dogwood sewer pump station.

Public Safety

- Co-authored the South Correctional Entity (SCORE) to create a regional misdemeanor jail.
- Worked jointly with surrounding Green River cities to install a safety barrier on the Green River, conducted community meetings and worked with the federal government on the Howard Hanson Dam issues.

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 Balances. 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 fund 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 2009 to 2010 show an increase in total net assets of \$14 million. Following is a condensed version of the government-wide statement of net assets with a comparison to 2009:

Comparative Analysis of 2009 and 2010 Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/10	As of 12/31/09	As of 12/31/10	As of 12/31/09	As of 12/31/10	As of 12/31/09
Current and other assets	\$ 101,733,088	\$ 95,967,931	\$ 55,721,170	\$ 37,447,361	\$ 157,454,258	\$ 133,415,292
Capital assets, net of accumulated depreciation	353,913,056	343,474,388	173,065,995	167,578,719	526,979,051	511,053,107
Total assets	455,646,145	439,442,319	228,787,164	205,026,080	684,433,310	644,468,399
Long-term liabilities	64,383,783	61,994,470	37,949,404	16,630,102	102,333,187	78,624,572
Other liabilities	8,840,830	6,259,422	5,744,311	6,157,098	14,585,141	12,416,520
Total liabilities	73,224,613	68,253,892	43,693,715	22,787,200	116,918,328	91,041,092
Net assets						
Invested in capital assets, net of related debt	320,506,701	314,691,982	152,343,987	150,621,492	472,850,688	465,313,474
Restricted	15,180,467	12,741,566	4,107,128	2,071,219	19,287,595	14,812,785
Unrestricted	46,734,364	43,754,879	28,642,334	29,546,169	75,376,698	73,301,048
Total net assets	\$ 382,421,532	\$ 371,188,427	\$ 185,093,449	\$ 182,238,880	\$ 567,514,981	\$ 553,427,307

The largest component of the City's net assets, \$472.9 million, or 83.3%, 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, \$46.7 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, \$28.6 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, cemetery, and commercial retail property). 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 \$15.2 million and are restricted for purposes such as capital project construction, debt service, mitigation, and endowment. Total net assets invested in capital assets, net of related debt increased \$5.8 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:

Comparative Analysis of 2009 and 2010

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 7,849,758	\$ 8,108,542	\$ 43,461,742	\$ 42,338,079	\$ 51,311,500	\$ 50,446,621
Operating grants and contributions	3,022,835	3,001,401	70,841	87,454	3,093,675	3,088,855
Capital grants and contributions	10,702,132	12,806,049	7,391,111	1,992,259	18,093,244	14,798,308
General revenues						
Property taxes	14,766,470	13,362,672	-	-	14,766,470	13,362,672
Sales taxes	15,657,081	14,727,496	-	-	15,657,081	14,727,496
Interfund utility taxes	2,788,083	3,437,526	-	-	2,788,083	3,437,526
Admission & utility taxes	8,886,964	9,071,485	-	-	8,886,964	9,071,485
Excise taxes	1,389,030	2,310,076	-	-	1,389,030	2,310,076
Other taxes	4,622,138	4,607,584	-	-	4,622,138	4,607,584
Investment earnings	379,316	570,798	158,211	312,618	537,527	883,416
Miscellaneous revenue	214,190	67,223	1,588,068	3,669,878	1,802,257	3,737,101
Total revenues	70,277,997	72,070,852	52,669,972	48,400,288	122,947,969	120,471,140
Expenses:						
General government	7,934,948	7,567,085	-	-	7,934,948	7,567,085
Public safety	25,890,627	25,675,063	-	-	25,890,627	25,675,063
Transportation	11,989,752	11,471,167	-	-	11,989,752	11,471,167
Physical environment	2,498,539	3,327,836	-	-	2,498,539	3,327,836
Culture and recreation	7,307,270	7,561,569	-	-	7,307,270	7,561,569
Economic environment	2,499,631	3,000,257	-	-	2,499,631	3,000,257
Health and human services	578,247	527,029	-	-	578,247	527,029
Interest on long-term debt	1,809,322	408,471	-	-	1,809,322	408,471
Water	-	-	10,042,879	8,970,215	10,042,879	8,970,215
Sanitary sewer	-	-	17,794,958	16,569,297	17,794,958	16,569,297
Storm drainage	-	-	6,994,381	7,275,072	6,994,381	7,275,072
Solid waste	-	-	9,894,429	11,019,606	9,894,429	11,019,606
Golf course	-	-	1,844,108	1,909,758	1,844,108	1,909,758
Other business-type activities	-	-	1,781,204	1,666,754	1,781,204	1,666,754
Total expenses	60,508,335	59,538,478	48,351,960	47,410,702	108,860,294	106,949,180
Increase in net assets before transfers	9,769,662	12,532,374	4,318,013	989,586	14,087,674	13,521,960
Transfers	1,463,444	170,605	(1,463,444)	(170,605)	-	-
Change in net assets	11,233,105	12,702,979	2,854,569	818,981	14,087,674	13,521,960
Net assets-beginning of period	371,188,427	358,485,448	182,238,880	181,419,899	553,427,307	539,905,347
Net assets-end of period	\$ 382,421,532	\$ 371,188,427	\$ 185,093,449	\$ 182,238,880	\$ 567,514,981	\$ 553,427,307

Governmental activities contributed \$11.2 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 1.5% to \$48.2 million between 2009 and 2010, compared to an increase of 4.6% between 2008 and 2009:

- Property tax revenue rose \$1.4 million, or 10.4%.
- Sales tax collections increased \$782,000, or 5.4%, reflecting general improvement in retail and business sectors of the local. Continued weakness was noted in the construction sector.
- Utility and admission tax revenue decreased by \$834,000 or 6.7%. The decrease was attributable to a temporary increase in the solid waste utility tax rate that begun in 2008 and ended in late 2009 to fund improvements at the Auburn Community Center.
- Excise tax revenue decreased by \$921,000, or 39.8%. The decline in excise taxes is from a drop in real estate excise taxes (REET) which reflects continued weakness in the construction and real estate sectors of the economy as a result of the prolonged economic downturn.

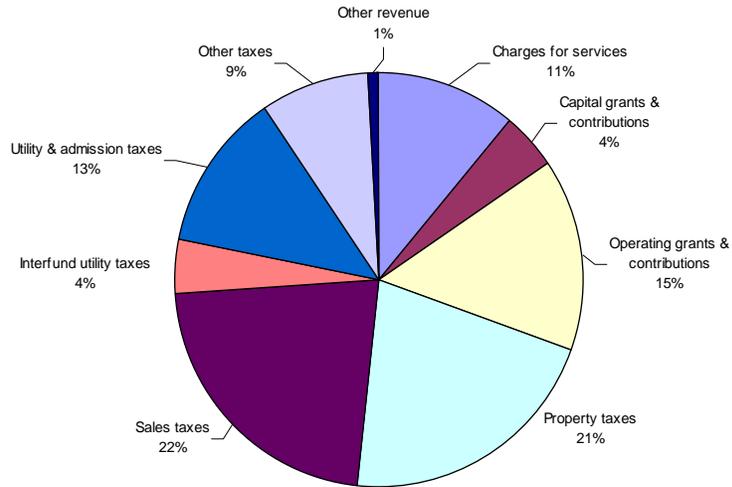
Investment earnings fell by \$192,000 or 33.6% in governmental activities and \$154,000 in business-type activities for a government-wide decline of \$346,000 or 39.2%. These declines reflect the continued low interest rates.

Government-wide Miscellaneous revenue decreased \$2.0 million, reflecting a prior year receipt of a federal grant for the airport parallel taxiway.

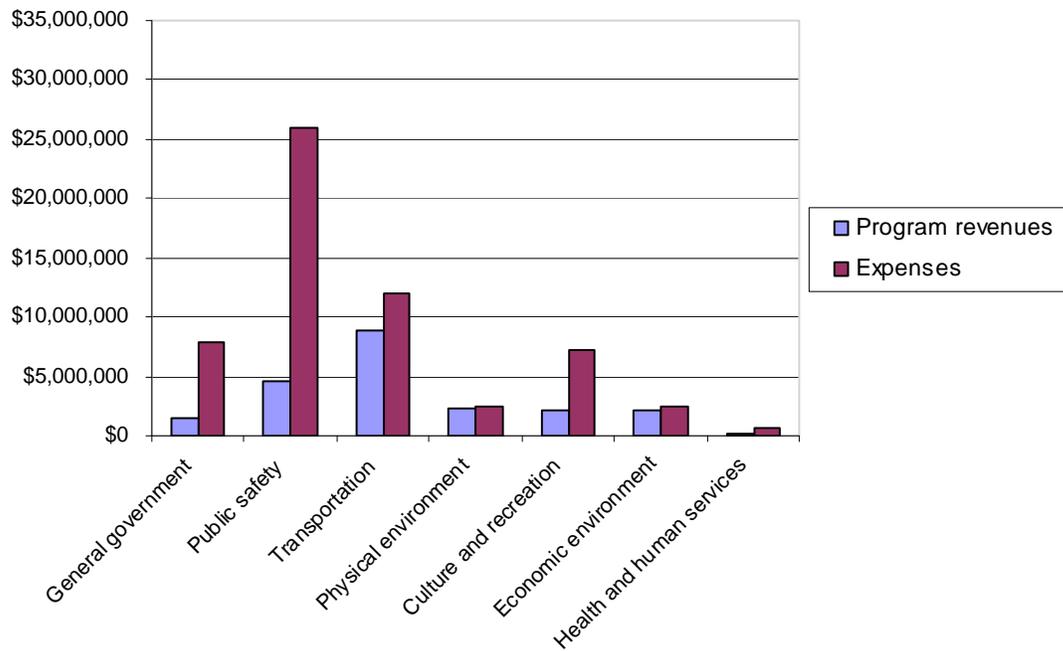
Government-wide expenses increased by approximately \$1.9 million or 1.7% and was attributable to an increase in interest on long-term debt associated with new debt incurred for the construction of the City Hall Annex.

The first chart on the following page 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

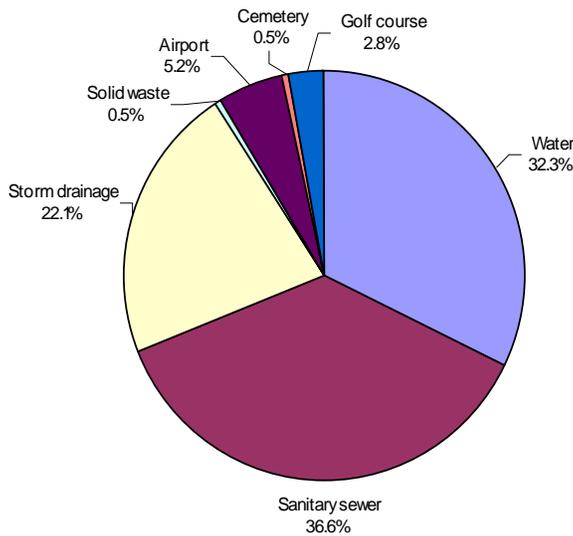


Business-type net assets totaled \$185.1 million, an increase of 1.6%. Key components of this increase include:

- Business-type revenues increased \$4.3 million due primarily to an increase in utility capital contributions.
- Income (loss) before capital contributions and transfers amounted to:
 - Water fund: \$ (108,001)
 - Sanitary sewer fund: (1,112,136)
 - Storm fund: (331,717)
 - Solid waste fund: (651,897)
 - Golf course: (414,819)
 - Non-major funds: (289,562)
 - \$ (2,908,132)
- Net transfers-out totaled \$1,463,444.

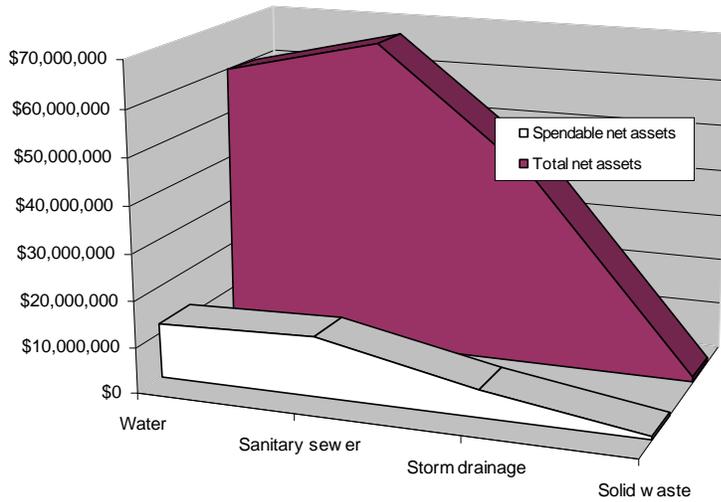
Below is a chart that shows the relative net asset balances for each business-type fund:

Business Type Net Assets – By Fund

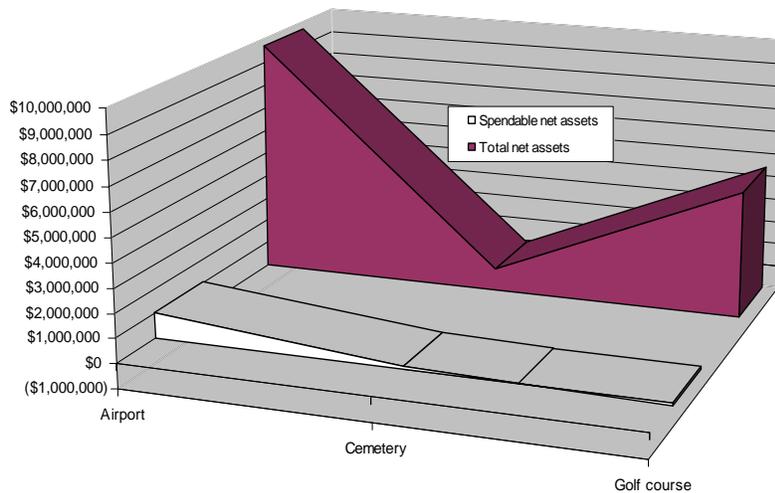


The majority of net assets in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, the airport runway, and the golf course land. As such, most of the net assets are not available to support the ongoing expenses of the funds. Following are two charts that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

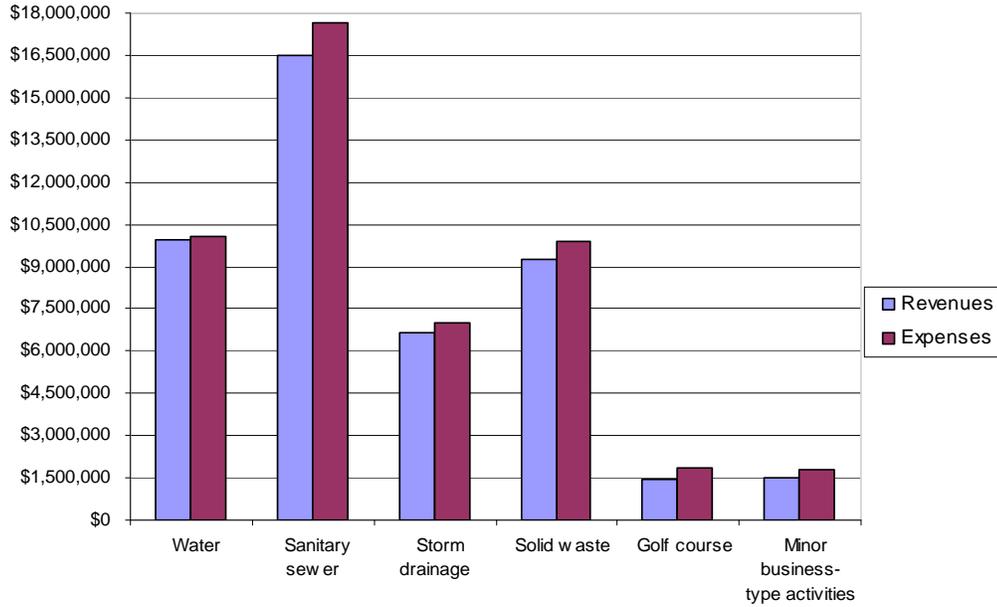


**Comparison of Total Net Assets to Spendable Net Assets
Other Enterprise Funds**

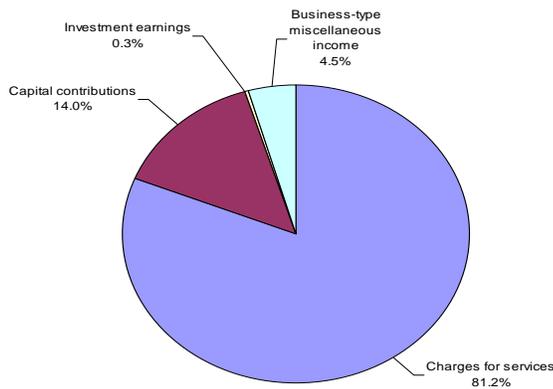


The first chart following depicts the revenues and expenses for business-type funds, while the second shows the various sources of business-type revenue:

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, 2010, the City's governmental funds had combined fund balances of \$45.2 million, an increase of \$4.7 million or 11.6% over the previous year. This increase is primarily due to an increase in fund balance from the receipt 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 2009 and 2010.

Changes In Fund Balance - By Fund

Fund	<u>2010</u>	<u>2009</u>	<u>Difference</u>
General fund	15,382,354	13,237,851	2,144,503
Arterial street fund	1,767,344	1,240,663	526,681
Capital improvement fund	7,124,925	9,770,693	(2,645,768)
Cumulative reserve fund	5,732,032	5,360,687	371,345
Mitigation fund	4,336,836	5,971,594	(1,634,758)
Cemetery endowment fund	1,537,107	1,506,362	30,745
All other government funds	9,303,373	3,447,960	5,855,413
Total	<u>45,183,971</u>	<u>40,535,810</u>	<u>4,648,161</u>

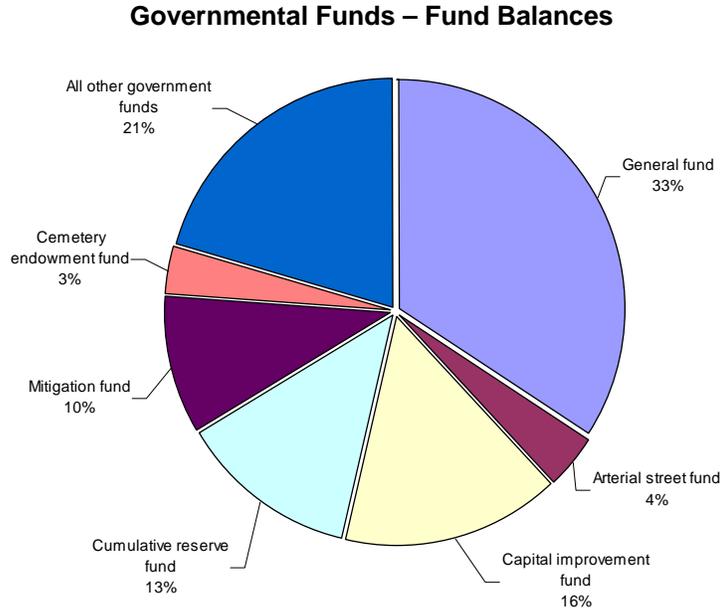
Of the government funds' total fund balances, \$43.6 million is unreserved. Of this unreserved total, \$12.6 million is earmarked for capital projects and \$15.5 million is in special revenue funds and is earmarked for specific purposes. Of the \$1.6 million of fund balances that are reserved, \$1.4 million is reserved 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 2010, the general fund had a fund balance of \$15.4 million, all of which is unreserved.

Other funds that had significant fund balances include:

- \$7.1 million in the capital improvement projects fund; used for various governmental capital asset projects.
- \$5.7 million in the cumulative reserve fund; used for revenue stabilization or capital projects.
- \$4.3 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.
- \$9.3 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:

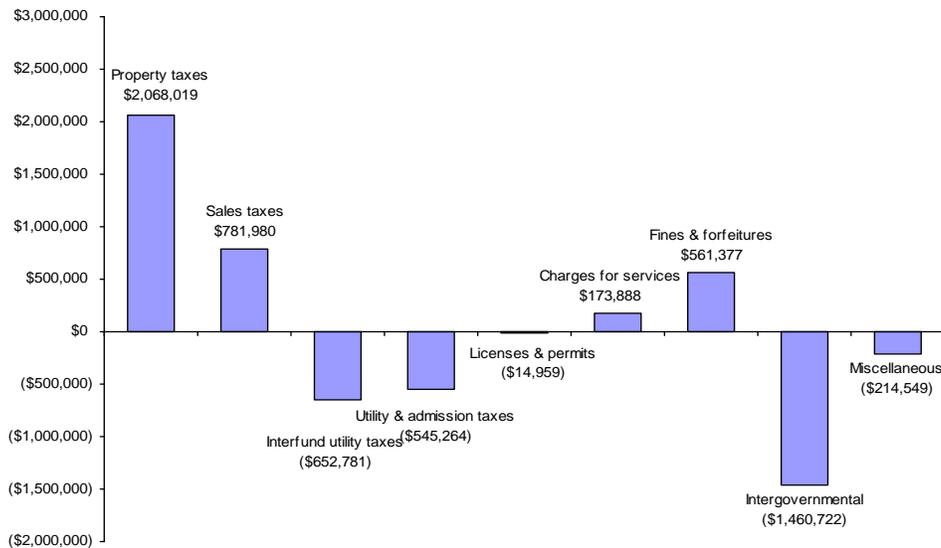


The increase in the general fund balance of \$2.1 million is primarily due to refunding of outstanding debt associated with Valley Communications (\$1.1 million) and a decrease in interfund transfers (\$972,000).

In addition, property taxes increased \$2.1 million or 20%, and sales taxes increased \$782,000 or 5% reflecting an increase in retail activity associated with the recovery from the 2009 recession. These increases were partially offset by a decrease in intergovernmental revenues of \$1.5 million and decrease in Interfund utility taxes of \$653,000.

The general fund revenue increase of \$696,989 came from the following sources:

2010 General Fund Revenue Increases / (Decreases) – By Source



The ending fund balance decrease of \$2.6 million in the capital improvement projects fund is largely due to the costs associated with the construction of the Activity Center, City Hall Annex and the City Hall Plaza project.

Other significant changes in fund balance include:

- The mitigation fund decreased, primarily due to transfers out of \$2.2 million related to the M street grade separation project.
- The arterial street fund increased by \$527,000 as revenues exceeded expenditures and net transfers.
- The local street fund increased by \$574,000 as revenues exceeded expenditures and net transfers.

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 a budget at the end of the preceding fiscal year, and then making adjustments as necessary via budget amendments throughout the next two years. Major budget revisions included:

- Reduction in General Fund expenditures by approximately \$4.2 from the original budget as a result of a reduction in workforce made that started in 2009 and continued with further departmental reductions in 2010 in response to the economic downturn.
- Included in this are reductions in contribution rates to the Equipment rental fund by 25% and reductions in contribution rates to the Information Services 30% and Multi Media 18%
- Increase property tax revenue \$1,885,400; decrease Sales tax revenue \$3,431,100 and sales tax credit for annexation \$772,500 to revise original estimates to coincide with economic trends.
- Increase of \$412,000 for a federal COPS grant to fund five patrol officer positions for three years.
- Decrease Traffic Enforcement revenue \$859,000 to be in line with 2009 revenue trend.
- Decrease in gambling tax revenue of \$300,000 due to the reduction in the tax rate from 12% to 4% for a period of 2 years.
- Increase in Intergovernmental charges by \$650,000 related to SCORE start up and transition costs.
- Increase in Interfund Rentals of \$300,000 and corresponding capital lease interest related to the City Hall Annex Interfund payments from the utility funds.
- Increase proceeds of long term debt and corresponding debt service budget for \$ 1,090,000 related to the refinancing of Valley Communications Debt Service.

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

- Retail sales and use tax were in line with budgeted levels, after including payments received from the State of Washington for streamlined sales tax mitigation. These revenues are included under intergovernmental revenues.
- Security of persons and property expenditures were below budget by \$2.6 million as jail costs were less than anticipated.
- General government expenditures were \$1.1 million below budget due to savings as a result of the City's contribution for SCORE startup costs. The City's contribution did not occur in 2010 as anticipated.

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, 2010 totaled \$527 million (net of accumulated depreciation), an increase of \$15.9 million from 2009. 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:

- In 2010, the City exercised its lease-purchase option on the City Hall Annex and purchased the building for \$24.9M, resulting in \$24.5 million decrease of intangible capital assets and an increase in building capital assets of \$31.4 million.
- Developer contributions resulted in an increase of \$6.4 million in utility infrastructure assets and \$4.3 million in governmental infrastructure assets.
- \$5.9 million was spent by proprietary funds on construction projects during the year.
- \$14 million was spent by governmental funds on construction projects during the year. Some of the larger projects in the governmental funds include:
 - \$1.8 million on M St SE Grade Separation
 - \$1.6 million on Arterial Pavement Preservation
 - \$1.6 million on Auburn Community Center
 - \$1.1 million on Local Street Pavement Preservation
 - \$1.1 million on City Hall Plaza
 - \$1.0 million on South Division Promenade
 - \$0.9 million on City Hall Plaza

A summary of the City's net assets follows:

Summary of Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/10	As of 12/31/09	As of 12/31/10	As of 12/31/09	As of 12/31/10	As of 12/31/09
Land	\$ 108,083,252	\$ 106,289,277	\$ 14,505,063	\$ 14,464,998	\$ 122,588,315	\$ 120,754,275
Building	45,418,590	14,778,942	7,116,568	8,129,361	52,535,158	22,908,303
Site improvements	4,598,500	4,907,626	145,763,862	130,188,983	150,362,362	135,096,609
Equipment	6,763,180	7,160,046	403,966	545,346	7,167,146	7,705,392
Intangibles	864,598	25,206,437	-	-	864,598	25,206,437
Infrastructure	174,203,901	168,650,223	-	-	174,203,901	168,650,223
Construction in progress	13,981,035	16,481,837	5,276,536	14,250,028	19,257,571	30,731,865
	\$ 353,913,056	\$ 343,474,388	\$ 173,065,995	\$ 167,578,716	\$ 526,979,051	\$ 511,053,104

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 \$88.0 million. Of this amount, \$27.8 million is due to other governments, \$37 million is general obligation bonds, and \$23.2 million is revenue bonds for the water, sewer and storm and utilities. General obligation debt increased \$28.8 million in 2010, reflecting the issuance of new debt in 2010 for City Hall Plaza and Promenade projects. Business-type activity debt increased \$21 million in 2010, reflecting the issuance of utility revenue bonds in 2010 for infrastructure improvements. 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	\$ 31,375,000	5,665,000	\$ 37,040,000
Revenue bonds	-	23,220,000	23,220,000
Due to other governments	\$ 27,776,850	-	27,776,850
	<u>\$ 59,151,850</u>	<u>\$ 28,885,000</u>	<u>\$ 88,036,850</u>

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

Other Long-Term Debt

Public Works Trust Fund loans	\$ 10,296,024
Employee leave benefits	2,649,704
Other Post Employment Benefits	2,068,840
	<u>\$ 15,014,569</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 Limits and Capacity

With a Vote	<u>Legal Limitation</u>	<u>Auburn Capacity</u>
General	\$ 188,607,350	\$ 121,784,982
Open spaces/parks	188,607,350	188,607,350
Utilities	188,607,350	188,607,350
Totals	<u>\$ 565,822,050</u>	<u>\$ 498,999,683</u>
Without a Vote		
General	\$ 113,164,410	\$ 46,342,042
Totals	<u>\$ 113,164,410</u>	<u>\$ 46,342,042</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 concerns over the pace of growth in employment and real estate remains. In the longer-term, the economic outlook for the City is positive. The City has made significant investments in the community, including investing in a redevelopment of the City Hall Plaza, Promenade, purchase of the City Hall Annex, and construction of the Activity Center. City retail activity is improving, paralleling the trend seen regionally and nationally.

Recent significant development in the City includes:

- Construction of an 11,000-square Auburn Regional Medical Center foot cancer treatment center adjacent to the hospital, along with a public/private mix 300-stall parking garage. The City owns 145 of the stalls in the garage
- Construction of a new three story building Professional Plaza building. The building features Key Bank as its anchor and medical/professional offices on the first floor and City offices on the second and third floors.
- Redevelopment of several blocks (4+) in downtown near the Transit Station valued at \$240 million. The State has identified this project 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 115 commercial and 232 residential building permits with a total construction valuation of \$38.4 million.
- Plans continue to move forward to develop a large retail/office project in the City's north end that had been a drive-in movie complex. Up to 65 acres may be involved. Significant new retail sales tax revenues would be generated from this project.
- Opening of a new super Wal-Mart adjacent to the Super Mall. This major retail establishment will provide the City with new jobs and new tax revenues.

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 Fund Net Assets provides information all on city assets and liabilities, with the difference between the two reported as net assets.

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.



CITY OF AUBURN, WASHINGTON
STATEMENT OF FUND NET ASSETS
 DECEMBER 31, 2010

	PRIMARY GOVERNMENT			TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
ASSETS:				
CASH AND CASH EQUIVALENTS (Note 3)	\$ 41,136,650	\$ 20,824,655	\$ 61,961,305	
INVESTMENTS (Note 3)	4,016,480	6,251,852	10,268,332	
RECEIVABLES:				
TAXES	493,233	-	493,233	
CUSTOMER ACCOUNTS	87,846	4,745,439	4,833,285	
OTHER RECEIVABLES	2,196,088	734,710	2,930,799	
SPECIAL ASSESSMENTS	609,281	-	609,281	
DUE FROM OTHER GOVERNMENTAL UNITS (Note 6)	1,651,180	144,625	1,795,805	
INTERNAL BALANCES	(68,249)	68,249	-	
MATERIALS AND SUPPLIES INVENTORY	133,292	249,431	382,723	
LONG-TERM CONTRACTS AND NOTES	609,511	1,033,045	1,642,556	
PREPAID EXPENSES	1,316,577	-	1,316,577	
NET PENSION ASSET	261,158	-	261,158	
RESTRICTED ASSETS:				
TEMPORARILY RESTRICTED:				
CASH AND CASH EQUIVALENTS (Note 3)	12,819,932	21,669,164	34,489,096	
DUE FROM OTHER GOVERNMENTAL UNITS (Note 6)	1,244,459	-	1,244,459	
PERMANENTLY RESTRICTED:				
CASH AND CASH EQUIVALENTS (Note 3)	1,271,673	-	1,271,673	
INVESTMENT IN JOINT VENTURES	33,953,977	-	33,953,977	
DEPRECIABLE CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION): (Note 7)	231,848,769	153,284,396	385,133,165	
NON-DEPRECIABLE CAPITAL ASSETS	122,064,287	19,781,599	141,845,886	
TOTAL ASSETS	455,646,145	228,787,164	684,433,310	
LIABILITIES:				
ACCOUNTS PAYABLE	5,893,477	2,550,246	8,443,723	
OTHER LIABILITIES PAYABLE	426,182	48,464	474,646	
PAYABLE FROM RESTRICTED ASSETS:				
ACCRUED INTEREST	-	1,334,472	1,334,472	
DEPOSITS	-	69,413	69,413	
UNEARNED REVENUE	1,647,184	880,974	2,528,158	
BONDS AND OTHER DEBT PAYABLE:				
DUE WITHIN ONE YEAR (Note 9)	2,325,171	1,741,716	4,066,887	
DUE IN MORE THAN ONE YEAR (Note 9)	33,086,909	37,068,430	70,155,339	
DUE TO OTHER GOVERNMENTAL UNITS:				
DUE WITHIN ONE YEAR (Note 9)	196,000	-	196,000	
DUE IN MORE THAN ONE YEAR (Note 9)	27,580,850	-	27,580,850	
NET OPEB OBLIGATION (Note 11)	2,068,840	-	2,068,840	
TOTAL LIABILITIES	73,224,613	43,693,715	116,918,328	
NET ASSETS:				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	320,506,701	152,343,987	472,850,688	
RESTRICTED FOR:				
CAPITAL PROJECTS	6,905,879	-	6,905,879	
DEBT SERVICE	22,524	3,696,499	3,719,023	
SPECIAL REVENUE FUND PROJECTS	6,980,391	-	6,980,391	
PERMANENT FUND				
NONEXPENDABLE	1,271,673	-	1,271,673	
RATE STABILIZATION	-	410,629	410,629	
UNRESTRICTED NET ASSETS	46,734,364	28,642,334	75,376,698	
TOTAL NET ASSETS	\$ 382,421,532	\$ 185,093,449	\$ 567,514,981	

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, 2010**

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS / PROGRAMS:				
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES:				
GENERAL GOVERNMENT	\$ 7,934,948	\$ 1,168,574	\$ 72,004	\$ 223,476
PUBLIC SAFETY	25,890,627	2,938,942	1,577,973	7,569
TRANSPORTATION	11,989,752	960,532	-	7,839,940
PHYSICAL ENVIRONMENT	2,498,539	86,306	107,114	2,035,749
CULTURE AND RECREATION	7,307,270	962,558	643,142	595,398
ECONOMIC ENVIRONMENT	2,499,631	1,732,397	396,147	-
HEALTH AND HUMAN SERVICES	578,247	449	226,455	-
INTEREST ON LONG-TERM DEBT	1,809,322	-	-	-
	60,508,335	7,849,758	3,022,835	10,702,132
BUSINESS-TYPE ACTIVITIES:				
WATER	10,042,879	9,100,699	-	1,257,840
SANITARY SEWER	17,794,958	15,968,503	-	4,406,132
STORM DRAINAGE	6,994,381	6,441,998	-	1,727,140
SOLID WASTE	9,894,429	9,169,380	70,841	-
GOLF COURSE	1,844,108	1,425,987	-	-
NONMAJOR BUSINESS-TYPE ACTIVITIES	1,781,204	1,355,175	-	-
	48,351,960	43,461,742	70,841	7,391,111
TOTAL PRIMARY GOVERNMENT	\$ 108,860,294	\$ 51,311,500	\$ 3,093,675	\$ 18,093,244
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

\$ (6,470,894)	\$ -	\$ (6,470,894)
(21,366,143)	-	(21,366,143)
(3,189,279)	-	(3,189,279)
(269,370)	-	(269,370)
(5,106,172)	-	(5,106,172)
(371,087)	-	(371,087)
(351,343)	-	(351,343)
(1,809,322)	-	(1,809,322)
<u>(38,933,610)</u>	<u>-</u>	<u>(38,933,610)</u>

-	315,659	315,659
-	2,579,677	2,579,677
-	1,174,756	1,174,756
-	(654,208)	(654,208)
-	(418,121)	(418,121)
-	(426,029)	(426,029)
<u>-</u>	<u>2,571,734</u>	<u>2,571,734</u>
<u>\$ (38,933,610)</u>	<u>\$ 2,571,734</u>	<u>\$ (36,361,876)</u>

\$ 14,766,470	\$ -	\$ 14,766,470
15,657,081	-	15,657,081
2,788,083	-	2,788,083
8,886,964	-	8,886,964
1,389,030	-	1,389,030
4,622,138	-	4,622,138
379,316	158,211	537,527
152,278	1,585,322	1,737,600
9,755	2,746	12,501
52,156	-	52,156
1,463,444	\$ (1,463,444)	-
<u>50,166,715</u>	<u>282,835</u>	<u>50,449,550</u>

<u>11,233,105</u>	<u>2,854,569</u>	<u>14,087,674</u>
371,188,427	182,238,880	553,427,307
<u>\$ 382,421,532</u>	<u>\$ 185,093,449</u>	<u>\$ 567,514,981</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 supported by the State's one-half cent gas 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, 2010**

	GENERAL FUND	ARTERIAL STREET	CAPITAL IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 12,520,151	\$ 2,276,696	\$ 5,159,076	\$ 21,724,998	\$ 41,680,921
INVESTMENTS	2,010,780	-	2,005,700	-	4,016,480
RECEIVABLES:					
TAXES	493,233	-	-	-	493,233
CUSTOMER ACCOUNTS	40,586	-	-	-	40,586
OTHER RECEIVABLES	2,125,260	-	-	59,630	2,184,890
SPECIAL ASSESSMENTS	-	-	-	609,281	609,281
INTERFUND RECEIVABLE (Note 5)	-	-	59,375	-	59,375
LONG-TERM NOTES AND CONTRACTS	-	-	609,511	-	609,511
DUE FROM OTHER GOVERNMENTAL UNITS	1,617,044	811,891	21,292	411,276	2,861,503
PREPAID EXPENSES	-	-	-	4,320	4,320
TOTAL ASSETS	18,807,055	3,088,587	7,854,954	22,809,504	52,560,100
LIABILITIES AND FUND BALANCES:					
CURRENT PAYABLES	2,684,976	892,850	120,518	1,290,875	4,989,219
CUSTOMER DEPOSITS	253,324	-	-	-	253,324
OTHER LIABILITIES PAYABLE	2,369	-	-	-	2,369
DEFERRED REVENUE	484,033	428,393	609,511	609,281	2,131,217
TOTAL LIABILITIES	3,424,701	1,321,243	730,029	1,900,156	7,376,129
FUND BALANCES:					
RESERVED FOR:					
DEBT SERVICE	-	-	-	187,988	187,988
ENDOWMENT	-	-	-	1,404,390	1,404,390
UNRESERVED, REPORTED IN:					
GENERAL FUND	15,382,354	-	-	-	15,382,354
SPECIAL REVENUE FUNDS	-	1,767,344	-	13,719,574	15,486,918
CAPITAL PROJECT FUNDS	-	-	7,124,925	5,464,680	12,589,604
PERMANENT FUND	-	-	-	132,717	132,717
TOTAL FUND BALANCES	15,382,354	1,767,344	7,124,925	20,909,348	45,183,971
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,807,055	\$ 3,088,587	\$ 7,854,954	\$ 22,809,504	\$ 52,560,100

Total governmental fund balances as reported on this statement \$ 45,183,971

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. 348,038,582

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

Prepaid expenses	1,312,257	
Interest receivable on investments	11,199	
Unearned revenue beyond the city's 30-day measurable and available period	484,033	
Deferred charges for bond issue costs	<u>20,220</u>	
		1,827,708

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. 18,431,784

Certain Joint Ventures activities do not use or provide current financial resources but increase net assets. 6,177,127

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

Bonds and loans payable	(33,426,575)	
Interest payable	(165,464)	
Net pension asset	261,158	
Net other postemployment obligations	(2,068,840)	
Compensated absences payable	<u>(1,837,919)</u>	
		(37,237,640)

Net assets of government activities as reported on the statement of net assets \$ 382,421,532

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, 2010

	GENERAL FUND	ARTERIAL STREET	CAPITAL IMPROVEMENT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
TAXES:					
PROPERTY	\$ 12,669,811	\$ -	\$ -	\$ 1,613,492	\$ 14,283,303
RETAIL SALES & USE	15,509,476	-	-	147,604	15,657,081
INTERFUND UTILITY	2,389,786	-	-	398,298	2,788,083
UTILITY	7,392,757	-	-	1,494,208	8,886,964
EXCISE	242,097	-	1,080,384	66,549	1,389,030
OTHER	-	-	-	65,234	65,234
LICENSES AND PERMITS	1,311,916	-	-	-	1,311,916
INTERGOVERNMENTAL	6,210,032	1,781,182	122,875	1,542,440	9,656,529
CHARGES FOR SERVICES	1,883,079	-	-	1,190,089	3,073,168
FINES AND FORFEITURES	2,472,411	-	-	-	2,472,411
SPECIAL ASSESSMENTS	-	-	-	43,502	43,502
INVESTMENT EARNINGS	162,938	5,308	89,408	129,236	386,890
MISCELLANEOUS	725,344	768	1,788,604	508,873	3,023,589
TOTAL REVENUES	50,969,647	1,787,258	3,081,270	7,199,524	63,037,699
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	7,770,957	-	-	-	7,770,957
SECURITY OF PERSONS AND PROPERTY	24,192,303	-	-	405,683	24,597,986
PHYSICAL ENVIRONMENT	2,480,641	-	-	-	2,480,641
TRANSPORTATION	2,810,364	4,583,679	-	2,660,391	10,054,434
ECONOMIC ENVIRONMENT	2,152,633	-	-	445,216	2,597,849
HEALTH AND HUMAN SERVICES	568,911	-	-	-	568,911
CULTURE AND RECREATION	6,568,112	-	-	95,768	6,663,881
DEBT SERVICE:					
PRINCIPAL	1,313,733	137,361	24,549,186	683,391	26,683,671
INTEREST AND OTHER COSTS	748,155	5,877	-	1,021,714	1,775,746
CAPITAL OUTLAY	790,336	-	1,890,220	5,805,827	8,486,382
TOTAL EXPENDITURES	49,396,144	4,726,918	26,439,406	11,117,990	91,680,457
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	1,573,503	(2,939,660)	(23,358,135)	(3,918,466)	(28,642,758)
OTHER FINANCING SOURCES (USES):					
INSURANCE RECOVERIES	125,642	-	-	75,000	200,642
ISSUANCE OF DEBT	1,065,000	267,273	22,600,000	7,240,000	31,172,273
ISSUANCE OF REFUNDING BOND	-	-	-	2,150,000	2,150,000
DEBT PREMIUM	-	-	105,624	200,220	305,844
PAYMENT TO ESCROW AGENT - REFUNDED BOND	-	-	-	(2,235,000)	(2,235,000)
TRANSFERS IN (Note 5)	1,501,913	3,199,068	475,880	4,265,865	9,442,727
TRANSFERS OUT (Note 5)	(2,121,557)	-	(2,469,137)	(3,154,874)	(7,745,568)
TOTAL OTHER FINANCING SOURCES AND USES	570,999	3,466,341	20,712,367	8,541,211	33,290,918
NET CHANGE IN FUND BALANCES	2,144,502	526,681	(2,645,768)	4,622,745	4,648,159
FUND BALANCES - BEGINNING	13,237,852	1,240,663	9,770,693	16,286,604	40,535,812
FUND BALANCES - ENDING	\$ 15,382,354	\$ 1,767,344	\$ 7,124,925	\$ 20,909,348	\$ 45,183,971

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, 2010

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 4,648,159
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 (\$15,790,230) exceeded depreciation (\$10,515,954) in the current period.		5,274,276
Certain Capital and Joint Venture activities do not use or provide current financial resources but increase net assets.		1,858,827
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		-
Debt proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		(33,628,117)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue	484,033	
Other	(48,368)	
Amortization of bond premium	66,107	
Investment interest receivable	<u>(2,362)</u>	
		499,410
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.		4,275,043
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net assets.		28,887,107
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.		149,751
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	(45,129)	
Amortization of prepaid expenses	(109,355)	
Change in accrued interest payable	(131,736)	
Change in net pension obligation	122,683	
Change in net other postemployment benefits	(622,054)	
Change in compensated absences payable	<u>54,238</u>	
		(731,353)
Change in net assets on the Statement of Activities	\$	11,233,105

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
BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
PROPERTY	\$ 10,471,900	\$ 12,357,309	\$ 12,669,811	\$ 312,502
RETAIL SALES & USE	21,315,400	17,111,800	15,509,476	(1,602,324)
INTERFUND UTILITY	2,215,800	2,140,200	2,389,786	249,586
UTILITY	6,910,100	7,206,100	7,392,757	186,657
EXCISE	946,500	546,500	242,097	(304,403)
LICENSES AND PERMITS	1,497,500	1,128,800	1,311,916	183,116
INTERGOVERNMENTAL	3,816,300	4,536,100	6,210,032	1,673,932
CHARGES FOR SERVICES	2,091,000	1,866,000	1,883,079	17,079
FINES AND FORFEITURES	2,729,700	2,107,400	2,472,411	365,011
INVESTMENT EARNINGS	250,000	170,000	162,938	(7,062)
MISCELLANEOUS	261,200	615,800	725,344	109,544
TOTAL REVENUES	52,505,400	49,786,009	50,969,647	1,183,638
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	9,787,500	8,881,940	7,770,957	1,110,983
SECURITY OF PERSONS AND PROPERTY	27,955,100	26,751,250	24,192,303	2,558,947
PHYSICAL ENVIRONMENT	4,049,500	2,734,210	2,480,641	253,569
TRANSPORTATION	3,283,100	3,170,100	2,810,364	359,736
ECONOMIC ENVIRONMENT	2,879,000	2,632,835	2,152,633	480,202
HEALTH AND HUMAN SERVICES	645,800	637,000	568,911	68,089
CULTURE AND RECREATION	7,174,400	6,746,500	6,568,112	178,388
DEBT SERVICE	250,900	2,164,600	2,061,887	102,713
CAPITAL OUTLAY	-	790,336	790,336	-
TOTAL EXPENDITURES	56,025,300	54,508,771	49,396,144	5,112,627
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(3,519,900)	(4,722,762)	1,573,503	6,296,265
OTHER FINANCING SOURCES (USES):				
SALES OF CAPITAL ASSETS	-	-	-	-
ISSUANCE OF DEBT	-	1,069,000	1,065,000	(4,000)
INSURANCE RECOVERIES	-	55,000	125,642	70,642
TRANSFERS IN (Note 5)	17,000	1,501,913	1,501,913	-
TRANSFERS OUT (Note 5)	(1,159,400)	(2,325,377)	(2,121,557)	203,820
TOTAL OTHER FINANCING SOURCES AND USES	(1,142,400)	300,536	570,999	270,462
NET CHANGE IN FUND BALANCES	(4,662,300)	(4,422,226)	2,144,502	6,566,727
FUND BALANCES - BEGINNING	10,844,270	13,237,852	13,237,852	-
FUND BALANCES - ENDING	\$ 6,181,970	\$ 8,815,626	\$ 15,382,353	\$ 6,566,727

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
BUDGET AND ACTUAL
ARTERIAL STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
INTERGOVERNMENTAL	\$ 12,431,500	\$ 8,278,200	\$ 1,781,182	\$ (6,497,018)
INVESTMENT EARNINGS	20,000	16,000	5,308	(10,692)
MISCELLANEOUS	1,315,000	240,000	768	(239,232)
TOTAL REVENUES	13,766,500	8,534,200	1,787,258	(6,746,942)
EXPENDITURES:				
CURRENT:				
TRANSPORTATION	16,613,400	13,762,000	4,583,679	9,178,321
DEBT SERVICE				
PRINCIPAL	130,400	137,400	137,361	39
INTEREST AND OTHER COSTS	9,200	9,200	5,877	3,323
TOTAL EXPENDITURES	16,753,000	13,908,600	4,726,918	9,181,682
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(2,986,500)	(5,374,400)	(2,939,660)	2,434,740
OTHER FINANCING SOURCES (USES):				
ISSUANCE OF DEBT	-	45,000	267,273	222,273
TRANSFERS IN (Note 5)	2,963,500	5,089,100	3,199,068	(1,890,032)
TRANSFERS OUT (Note 5)	-	-	-	-
TOTAL OTHER FINANCING SOURCES AND USES	2,963,500	5,134,100	3,466,341	(1,667,759)
 NET CHANGE IN FUND BALANCES	 (23,000)	 (240,300)	 526,681	 766,981
 FUND BALANCES - BEGINNING	 383,062	 1,240,663	 1,240,663	 -
FUND BALANCES - ENDING	\$ 360,062	\$ 1,000,363	\$ 1,767,344	\$ 766,981

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 FUND NET ASSETS
PROPRIETARY FUNDS
 DECEMBER 31, 2010

	WATER	SANITARY SEWER	STORM DRAINAGE	SOLID WASTE	GOLF COURSE	NON-MAJOR PROPRIETARY FUNDS	TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
ASSETS:								
CURRENT ASSETS:								
CASH AND CASH EQUIVALENTS	\$ 7,988,302	\$ 8,178,622	\$ 2,783,583	\$ 545,441	\$ 85,241	\$ 1,243,466	\$ 20,824,655	\$ 13,547,334
INVESTMENTS	1,731,607	2,009,920	2,510,325	-	-	-	6,251,852	-
RESTRICTED CASH:								
BONDS PAYMENTS	948,415	296,268	348,279	-	-	-	1,592,961	-
CUSTOMER DEPOSITS	31,629	16,835	-	-	-	69,413	117,877	-
OTHER	11,123,922	4,382,960	4,451,444	-	-	-	19,958,326	-
CUSTOMER ACCOUNTS	888,146	2,025,836	795,710	1,006,401	25,436	3,910	4,745,439	47,260
OTHER RECEIVABLES	715,867	14,217	4,627	-	-	-	734,710	-
DUE FROM OTHER GOVERNMENTAL UNITS	-	-	90,608	54,017	-	-	144,625	34,136
INVENTORIES	226,378	7,414	7,880	-	-	7,759	249,431	133,293
TOTAL CURRENT ASSETS	23,654,265	16,932,072	10,992,456	1,605,859	110,677	1,324,547	54,619,876	13,762,022
NONCURRENT ASSETS:								
LONG-TERM CONTRACTS AND NOTES	-	1,028,400	-	-	-	4,645	1,033,045	-
CAPITAL ASSETS:								
LAND	897,971	1,695,023	5,686,254	-	2,229,636	3,996,179	14,505,063	-
BUILDINGS AND EQUIPMENT	2,344,538	1,140,893	201,254	496,618	6,620,691	3,593,817	14,397,809	15,459,542
IMPROVEMENTS OTHER THAN BUILDINGS	86,437,929	73,495,451	44,739,930	-	3,023,053	9,301,723	216,998,084	46,591
CONSTRUCTION IN PROGRESS	2,400,937	2,104,633	755,866	-	-	15,100	5,276,536	-
LESS: ACCUMULATED DEPRECIATION	(36,367,787)	(17,962,959)	(15,057,455)	(317,834)	(2,592,219)	(5,813,244)	(78,111,498)	(9,631,659)
TOTAL CAPITAL ASSETS (NET OF A/D)	55,713,588	60,473,041	36,325,849	178,783	9,281,160	11,093,574	173,065,995	5,874,475
TOTAL NONCURRENT ASSETS	55,713,588	61,501,441	36,325,849	178,783	9,281,160	11,098,219	174,099,039	5,874,475
TOTAL ASSETS	79,367,854	78,433,512	47,318,305	1,784,642	9,391,837	12,422,766	228,718,915	19,636,497
LIABILITIES:								
CURRENT LIABILITIES:								
CURRENT PAYABLES	802,944	473,770	333,818	830,169	47,550	61,996	2,550,246	904,258
CUSTOMER DEPOSITS	31,629	16,835	-	-	-	69,413	117,877	5,025
INTERFUND PAYABLES	-	-	-	-	59,375	-	59,375	-
LOANS PAYABLE-CURRENT	435,568	288,262	-	-	-	-	723,830	-
EMPLOYEE LEAVE BENEFITS-CURRENT	152,012	73,325	122,244	20,136	37,158	18,010	422,885	110,194
REVENUE BONDS PAYABLE-CURRENT	214,600	-	75,400	-	-	-	290,000	-
GENERAL OBLIGATION BONDS PAYABLE-CURRENT	-	-	-	-	205,000	100,000	305,000	-
ACCRUED INTEREST	752,503	309,091	272,879	-	-	-	1,334,472	-
TOTAL CURRENT LIABILITIES	2,389,257	1,161,282	804,341	850,305	349,083	249,419	5,803,686	1,019,477
NONCURRENT LIABILITIES:								
DEFERRED REVENUE	42,200	162,203	597,204	-	74,722	4,645	880,974	-
EMPLOYEE LEAVE BENEFITS	79,476	38,336	63,911	10,528	19,427	9,416	221,094	57,612
LOANS PAYABLE	4,017,063	4,108,241	-	-	-	-	8,125,304	-
REVENUE BONDS PAYABLE	13,164,869	5,334,385	4,896,515	-	-	-	23,395,769	-
GENERAL OBLIGATION BONDS PAYABLE	-	-	-	-	3,738,076	1,588,188	5,326,264	-
TOTAL OTHER NONCURRENT LIABILITIES	17,303,607	9,643,166	5,557,630	10,528	3,832,224	1,602,249	37,949,404	57,612
TOTAL LIABILITIES	19,692,863	10,804,448	6,361,971	860,833	4,181,307	1,851,668	43,753,090	1,077,089
NET ASSETS:								
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	47,778,846	54,700,611	34,942,276	178,783	5,338,084	9,405,386	152,343,987	5,874,475
RESTRICTED FOR:								
DEBT SERVICE	2,174,980	720,768	800,751	-	-	-	3,696,499	-
RATE STABILIZATION	-	-	410,629	-	-	-	410,629	-
UNRESTRICTED	9,721,164	12,207,685	4,802,678	745,026	(127,555)	1,165,712	28,514,710	12,684,933
TOTAL NET ASSETS	\$ 59,674,990	\$ 67,629,064	40,956,334	\$ 923,810	\$ 5,210,529	\$ 10,571,098	\$ 184,965,825	\$ 18,559,408

Adjustment to reflect the consolidation of internal service funds related to enterprise funds

127,624

Net assets of business-type activities

\$ 185,093,449

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, 2010

	WATER	SANITARY SEWER	STORM DRAINAGE	SOLID WASTE	GOLF COURSE	NONMAJOR ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES:								
CHARGES FOR SERVICES	\$ 9,100,699	\$ 15,968,231	\$ 6,441,726	\$ 9,169,380	\$ 1,361,003	\$ 734,873	\$ 42,775,912	\$ 9,353,814
INTEREST	-	-	-	-	-	1,381	1,381	-
OTHER OPERATING REVENUE	-	272	272	-	64,984	618,920	684,448	158,431
TOTAL OPERATING REVENUES	9,100,699	15,968,503	6,441,998	9,169,380	1,425,987	1,355,175	43,461,742	9,512,245
OPERATING EXPENSES:								
OPERATIONS & MAINTENANCE	3,560,195	12,666,971	1,727,711	8,338,847	1,122,268	624,621	28,040,613	7,028,219
ADMINISTRATION	2,557,897	1,992,048	2,428,345	736,227	140,147	751,411	8,606,074	618,493
DEPRECIATION/AMORTIZATION	2,116,352	1,372,282	1,088,529	19,963	336,319	307,487	5,240,931	1,451,582
OTHER OPERATING EXPENSES	1,055,120	1,283,759	585,743	799,393	46,877	10,292	3,781,184	-
TOTAL OPERATING EXPENSES	9,289,563	17,315,060	5,830,328	9,894,429	1,645,610	1,693,812	45,668,802	9,098,293
OPERATING INCOME (LOSS)	(188,864)	(1,346,557)	611,670	(725,049)	(219,623)	(338,637)	(2,207,060)	413,951
NON-OPERATING REVENUE (EXPENSE):								
INTEREST REVENUE	58,353	45,053	47,875	2,311	556	4,063	158,211	33,601
OTHER NON-OPERATING REVENUES	775,827	504,300	172,791	70,841	-	132,404	1,656,162	42,356
GAIN ON SALE OF CAPITAL ASSETS	-	-	-	-	2,746	-	2,746	9,755
INTEREST EXPENSE	(753,316)	(314,931)	(271,964)	-	(198,498)	(87,392)	(1,626,101)	-
OTHER NON-OPERATING EXPENSES	-	-	(892,089)	-	-	-	(892,089)	-
TOTAL NON-OPERATING REVENUE (EXPENSE)	80,864	234,422	(943,387)	73,151	(195,197)	49,075	(701,072)	85,712
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(108,001)	(1,112,136)	(331,717)	(651,897)	(414,819)	(289,562)	(2,908,132)	499,663
CAPITAL CONTRIBUTIONS	1,257,840	4,406,132	1,727,140	-	-	-	7,391,111	107,114
TRANSFERS IN (Note 5)	-	-	-	-	123,575	25,605	149,180	197,500
TRANSFERS OUT (Note 5)	(55,790)	(55,960)	(59,580)	(680)	-	(1,440,613)	(1,612,623)	(494,760)
CHANGE IN NET ASSETS	1,094,049	3,238,036	1,335,843	(652,577)	(291,245)	(1,704,570)	3,019,536	309,517
TOTAL NET ASSETS BEGINNING OF YEAR	58,580,941	64,391,028	39,620,491	1,576,387	5,501,774	12,275,668	181,946,289	18,249,891
TOTAL NET ASSETS END OF YEAR	\$ 59,674,990	\$ 67,629,064	\$ 40,956,334	\$ 923,810	\$ 5,210,529	\$ 10,571,098	\$ 184,965,825	\$ 18,559,408
							Change in net assets from this statement	3,019,536
							Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(164,967)
							Change in net assets of business-type activities	<u>2,854,569</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, 2010

	WATER	SANITARY SEWER	STORM DRAINAGE	SOLID WASTE	GOLF COURSE	NON-MAJOR ENTERPRISE FUND	TOTAL	GOVERNMENT ACTIVITIES INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:								
CASH RECEIVED FROM USERS	\$ 9,048,677	\$ 15,680,452	\$ 6,379,932	\$ 9,216,702	\$ 1,427,458	\$ 1,353,317	\$ 43,106,539	\$ 9,486,912
CASH PAID TO SUPPLIERS	(2,734,248)	(14,220,329)	(2,410,509)	(8,554,269)	(450,034)	(723,810)	(29,093,198)	(4,414,290)
CASH PAID FOR TAXES	(1,055,120)	(1,283,759)	(585,743)	(799,393)	(46,877)	(10,292)	(3,781,184)	(3,994)
CASH PAID FOR INVENTORY	(51,049)	846	3,951	-	-	3,636	(42,617)	(21,431)
CASH PAID TO EMPLOYEES	(2,946,423)	(1,871,575)	(2,347,148)	(554,484)	(807,069)	(650,055)	(9,176,754)	(2,899,128)
OTHER CASH RECEIVED (PAID)	63,525	-	-	-	11,407	1,381	76,314	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,325,361	(1,694,364)	1,040,483	(691,443)	134,887	(25,822)	1,089,100	2,148,068
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
OPERATING GRANT RECEIVED	-	504,300	36,503	104,278	-	-	645,080	-
TRANSFERS IN	-	-	-	-	123,575	25,605	149,180	197,500
TRANSFERS OUT	(55,790)	(55,960)	(59,580)	(680)	-	(1,440,613)	(1,612,623)	(494,760)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(55,790)	448,340	(23,077)	103,598	123,575	(1,415,008)	(818,363)	(297,260)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
PROCEEDS FROM SALE OF EQUIPMENT	-	-	-	-	-	790,336	790,336	77,734
PURCHASE OF CAPITAL ASSETS	(1,891,160)	(1,768,099)	(2,223,940)	-	(59,952)	(115,590)	(6,058,741)	(582,929)
CONTRIBUTED CAPITAL	413,488	249,153	379,325	-	-	-	1,041,965	-
CAPITAL GRANTS	-	-	172,791	-	-	-	172,791	40,341
PROCEEDS FROM OTHER GOVERNMENTS	-	22,500	892,089	-	-	132,117	1,046,706	-
PROCEEDS FROM INSURANCE SETTLEMENT	-	-	-	-	-	-	-	1,743
BOND ISSUANCE COSTS	(47,840)	(21,389)	(17,895)	-	-	-	(87,124)	-
PRINCIPAL PAYMENT ON DEBT	(639,068)	(288,262)	(71,500)	-	(190,000)	(85,000)	(1,273,830)	-
INTEREST PAYMENT ON DEBT	(105,623)	(20,045)	(25,102)	(64)	(198,594)	(80,143)	(429,571)	-
DEBT PROCEEDS	11,979,047	6,230,775	4,480,961	-	-	-	22,690,783	-
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	9,708,844	4,404,632	3,586,728	(64)	(448,546)	641,720	17,893,314	(463,112)
CASH FLOW FROM INVESTING ACTIVITIES:								
PROCEEDS FROM SALE OF INVESTMENTS	3,004,773	-	1,017,813	-	-	-	4,022,586	-
PURCHASE OF INVESTMENTS	(2,725,000)	-	(2,500,000)	-	-	-	(5,225,000)	-
INTEREST RECEIVED	56,284	58,570	37,444	2,311	556	4,350	159,515	33,601
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	336,057	58,570	(1,444,743)	2,311	556	4,350	(1,042,899)	33,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS								
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	7,777,796	9,657,507	4,423,916	1,131,040	274,769	2,107,639	25,372,666	12,126,038
CASH AND CASH EQUIVALENTS-END OF YEAR	20,092,267	12,874,685	7,583,306	545,441	85,241	1,312,879	42,493,818	13,547,334
CASH AT END OF YEAR CONSISTS OF:								
CASH AND CASH EQUIVALENTS	7,988,302	8,178,622	2,783,583	545,441	85,241	1,243,466	20,824,655	13,547,334
RESTRICTED CASH-BOND PAYMENTS	948,415	296,268	348,279	-	-	-	1,592,961	-
RESTRICTED CASH-CUSTOMER DEPOSITS	31,629	16,835	-	-	-	69,413	117,877	-
RESTRICTED CASH-OTHER	11,123,922	4,382,960	4,451,444	-	-	-	19,958,326	-
TOTAL CASH	\$ 20,092,268	\$ 12,874,685	\$ 7,583,306	\$ 545,441	\$ 85,241	\$ 1,312,879	\$ 42,493,819	\$ 13,547,334

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, 2010

	WATER	SANITARY SEWER	STORM DRAINAGE	SOLID WASTE	GOLF COURSE	NON-MAJOR ENTERPRISE FUND	TOTAL	GOVERNMENT ACTIVITIES INTERNAL SERVICE FUNDS
RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES								
OPERATING INCOME (LOSS)	\$ (188,864)	\$ (1,346,557)	\$ 611,670	\$ (725,049)	\$ (219,623)	\$ (338,637)	\$ (2,207,060)	\$ 413,951
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
DEPRECIATION	2,116,352	1,372,282	1,088,529	19,963	336,319	307,487	5,240,931	1,451,582
ASSET (INCREASES) DECREASES :								
ACCOUNTS RECEIVABLE	(48,045)	(286,414)	(62,067)	47,322	1,472	-	(347,732)	(47,203)
INVENTORY	(51,049)	846	3,951	-	-	3,636	(42,617)	(21,431)
LIABILITY INCREASES (DECREASES) :								
ACCOUNTS & VOUCHERS PAYABLE	398,178	(1,432,981)	(586,802)	(44,805)	(1,720)	(7,632)	(1,675,762)	279,360
DEPOSITS PAYABLE	(3,977)	(1,636)	-	-	-	(476)	(6,089)	(700)
WAGES & BENEFITS PAYABLE	11,598	(14,503)	(10,385)	2,722	2,401	6,290	(1,877)	26,701
COMPENSATED ABSENCES PAYABLE	27,645	14,599	(4,415)	8,404	4,631	3,509	54,373	45,808
DEFERRED REVENUE	-	-	-	-	11,407	-	11,407	-
TOTAL ADJUSTMENTS	2,514,226	(347,807)	428,812	33,605	354,510	312,815	3,296,161	1,734,116
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,325,361	(1,694,364)	1,040,482	(691,443)	134,887	(25,822)	1,089,100	2,148,068
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES								
CAPITAL ASSETS ACQUIRED BY CONTRIBUTED CAPITAL	844,352	4,156,979	1,347,815	-	-	-	6,349,146	107,114
INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENT	6,607	(13,518)	10,326	-	-	-	3,415	-
TOTAL NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	\$ 850,959	\$ 4,143,461	\$ 1,358,141	\$ -	\$ -	\$ -	\$ 6,352,561	\$ 107,114

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, 2010

	FIRE RELIEF PENSION TRUST FUND	AGENCY FUND
ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 2,697,371	\$ 1,400,069
INVESTMENTS	88,249	-
RECEIVABLES:		
CUSTOMER ACCOUNTS	-	6,582
INTEREST	659	-
DUE FROM OTHER GOVERNMENTAL UNITS	-	70,884
TOTAL ASSETS	2,786,279	1,477,535
LIABILITIES:		
CURRENT PAYABLES	6,097	369,568
DUE TO OTHER GOVERNMENTAL UNITS	-	1,107,967
TOTAL LIABILITIES	6,097	1,477,535
NET ASSETS:		
HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	\$ 2,780,181	\$ -

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, 2010

	FIRE RELIEF PENSION TRUST FUND
ADDITIONS:	
FIRE INSURANCE PREMIUMS-TRANSFERRED FROM GENERAL FUND	\$ 63,545
INVESTMENT EARNINGS	31,141
TOTAL ADDITIONS	94,686
DEDUCTIONS:	
BENEFIT PAYMENTS	128,651
PROFESSIONAL SERVICES	1,690
ADMINISTRATIVE EXPENSES	12,807
TOTAL DEDUCTIONS	143,147
CHANGE IN NET ASSETS	(48,461)
NET ASSETS - BEGINNING	2,828,642
NET ASSETS - ENDING	\$ 2,780,181

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



City of Auburn

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December 31, 2010

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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 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 supported by the State of Washington’s one-half cent gas 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 applies 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.

The Fire Relief and Pension Trust 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.

The Agency 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 1st. 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 31st, 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
Governmental funds			
General fund	\$ 57,184,700	\$ (350,552)	\$ 56,834,148
Total governmental funds	57,184,700	(350,552)	56,834,148
Special revenue funds:			
Local street	2,200,000	3,800	2,203,800
Arterial street	16,753,000	(2,844,400)	13,908,600
Hotel/motel tax	85,500	85,880	171,380
Arterial street preservation	1,500,000	105,000	1,605,000
Drug forfeiture fund	237,300	173,600	410,900
Local law enforcement block grant	11,100	-	11,100
Housing and community development	600,900	(6,500)	594,400
Recreation trails	-	44,000	44,000
Business improvement area	54,000	13,300	67,300
Cumulative reserve	-	453,500	453,500
Mitigation fees	2,508,500	1,246,880	3,755,380
Total special revenue funds	23,950,300	(724,940)	23,225,360
Total budgeted funds	\$ 81,135,000	\$ (1,075,492)	\$ 80,059,508

E. ASSETS, LIABILITIES, AND FUND EQUITY

1. DEPOSITS AND INVESTMENTS

It is the City's policy to invest all temporary cash surplus. At December 31, 2010, the Washington State Local Government Investment Pool (LGIP) was holding \$88,919,029 in short-term investments. This amount is classified on the Statement of Fund 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 (WPDPC), 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

Inventories in the enterprise and internal service funds are valued at cost using the weighted average costing method. Governmental fund types recognize the cost of

inventory items as expenditures when purchased. In governmental funds, materials and supplies remaining at year-end are immaterial and not included in inventory.

6. RESTRICTED ASSETS

There are three types of restricted assets: customer deposits, proceeds of revenue bonds issued by City utilities that are restricted by applicable bond ordinances to pay bond and construction costs, and funds contributed by the Muckleshoot Indian Tribe that have been restricted for use in certain construction projects.

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.

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 improvements financed by special assessments that provide capital assets to a government’s proprietary funds are capitalized on the fund’s balance sheet and are offset by equity.

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. DEFERRED CREDITS/CHARGES

Deferred charges and credits include undistributed court receipts.

10. 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.

11. 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.

12. RESERVATIONS AND DESIGNATIONS OF FUND EQUITY

In governmental funds, reserves are used to indicate a portion of fund balance that is not appropriable for expenditure or is legally segregated, and designations are used to indicate tentative managerial plans for financial resource utilization in a future period. 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.

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, 2010, the carrying amount of the City’s cash demand deposits with Key Bank totaled \$9,819,632 while the bank balance was \$10,270,604. In addition, there was \$10,000 in the Drug Forfeiture Fund to be used for enforcement purposes, and \$7,800 in various petty cash and cashier change 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, 2010 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 2010, the net increase in the fair value of investments being held for more than one year is \$34,031 at year-end.

As of December 31, 2010, the City had the following investments and maturities:

SCHEDULE OF INVESTMENTS BY MATURITIES
AS OF DECEMBER 31, 2010

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	\$ 88,919,028	\$ 88,919,028	\$ -	\$ -	\$ -
US Treasuries	\$ 88,249	-	-	-	88,249
US Agencies	\$ 13,280,872	2,009,920	3,737,307	7,533,645	-
	<u>\$ 102,288,149</u>	<u>\$ 90,928,948</u>	<u>\$ 3,737,307</u>	<u>\$ 7,533,645</u>	<u>\$ 88,249</u>

Reconciliation to government-wide statement of net assets:

Total investments above	\$ 102,288,149
Plus: cash in checking and petty cash	9,887,946
Less: cash investments in fiduciary funds	(4,185,689)
Total cash and investments, government-wide statement of fund net assets	\$ 107,990,406

Reconciliation of Cash and Investments
Government-Wide Statement of Fund Net Assets
As of December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 41,136,650	\$ 20,824,655	\$ 61,961,305
Cash with Outside Agencies	-	-	-
Investments	4,016,480	6,251,852	10,268,332
Temporarily Restricted:			
Cash and Cash Equivalents	12,819,932	21,669,164	34,489,096
Permanently Restricted:			
Cash and Cash Equivalents	1,271,673	-	1,271,673
	<u>\$ 59,244,735</u>	<u>\$ 48,745,671</u>	<u>\$ 107,990,406</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, 2010, the City had investments in a limited number of investment instruments as follows:

- Federal Home Loan Bank bonds
- Federal Home Loan Mortgage Corporation bonds
- Federal National Mortgage Association
- 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, 2010.

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, 2010

	State Investment Pool	U.S. Securities	Total
General Fund	\$ -	\$ 2,010,780	\$ 2,010,780
Special Revenue Fund	-	3,012,540	3,012,540
Capital Project Funds	-	2,005,700	2,005,700
Enterprise Funds	-	6,251,852	6,251,852
Fiduciary Funds	-	88,249	88,249
Treasurer's Residual Funds	88,919,028	-	88,919,028
Total	\$ 88,919,028	\$ 13,369,121	\$ 102,288,149

NOTE 4 – PROPERTY TAXES

Property taxes received during tax year 2010 were \$14,169,811, including collection of prior year delinquent assessments. Property taxes assessed for collection in tax year 2010 were based on a regular tax levy of \$1.64 per \$1,000 on a total 2009 assessed value of \$7,702,255,337.

For levy year 2010, to be received in 2011, the City's regular tax levy is \$1.82 per \$1,000 on a 2010 assessed valuation of \$7,544,294,006, as of December 31, 2010, for a total regular levy of \$14,381,889. 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, 2010, 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	\$ 113,164,410	\$ 75,442,940	\$ 188,607,350	\$ 188,607,350	\$ 565,822,050
Outstanding indebtedness	(70,960,079)	-	-	-	(70,960,079)
Assets available	4,137,711	-	-	-	4,137,711
Margin available	\$ 46,342,042	\$ 75,442,940	\$ 188,607,350	\$ 188,607,350	\$ 498,999,683

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 2010. 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 fund	\$ 2,121,557	\$ 1,501,913
Special revenue funds:		
City street fund	-	-
Local street fund	-	150,000
Arterial street fund	-	3,199,068
Arterial Street Preservation	-	-
Recreational trails	44,000	7,100
Cumulative reserve	331,559	650,277
Mitigation fees	2,633,609	-
Total special revenue funds	3,009,168	4,006,446
Debt service funds:		
1998 library GO	-	299,300
2010 A&B Annex	-	710,800
2010 C&D Local Rev	-	182,390
LID guarantee	54,300	65,801
Special assessments	65,801	-
Total debt service funds	120,101	1,258,291
Capital projects funds:		
Capital Improvement Major	2,469,137	475,880
Park construction Non Maj	-	1,911,696
Capital improvement projects Non Maj	-	288,500
Total capital projects funds	2,469,137	2,676,076
Proprietary funds:		
Water	55,790	-
Sewer	55,960	-
Storm drainage	59,580	-
Solid waste	680	-
Airport	-	-
Cemetery	-	25,605
Golf course	-	123,575
Commercial retail	1,440,613	-
Total proprietary funds	1,612,623	149,180
Internal service funds:		
Insurance	-	197,500
Facilities	450,000	-
Information services	22,530	-
Equipment rental	22,230	-
Total internal service funds	494,760	197,500
Fiduciary funds:		
Fire pension & relief fund	-	63,545
Permanent funds:		
Cemetery endowed care	25,605	-
Total	\$ 9,852,951	\$ 9,852,951

All transfers are considered routine.

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

Interfund Loans		Balance		New Loans		Repayments		Balance	
Due From	Due To		1/1/2010						12/31/2010
Golf course fund	Capital projects fund	\$	59,375	\$	-	\$	-	\$	59,375
Total interfund loans		\$	59,375	\$	-	\$	-	\$	59,375

All interfund loans are considered short-term cash loans.

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

As of December 31, 2010, the City had receivables due from other governmental units as follows:

Due from Other Governmental Units	2010
General Fund:	
City of Seattle - COPS / JAG Grants	\$ 41,815
Department of Justice - Bulletproof Vest Program	7,569
King County - Olympic Leadership Grant	12,500
King County - Real Estate Excise Taxes	47,176
King County Sheriff's - Registered Sex Offender Grant	256
Muckleshoot Casino	335,525
Pierce County - Real Estate Excise Taxes	9,910
WA Auto Theft Prevention Authority - Auto Theft Prevention Grant	26,770
WA State Department of Justice - JAG Grant	98,706
WA State Military Department - EMPG Grant	4,178
WA State Traffic Safety - Seat belt / DUI enforcement	4,652
WA State Treasurer - Sales Taxes	<u>1,027,988</u>
Total General Fund	1,617,044
Arterial Street Fund:	
King County Department of Natural Resources & Parks	37,315
WA State Transportation Improvement Board - Arterial Street Imp.	54,769
Washington Utilities Transportation	20,000
WA Dept. of Transportation - Arterial street imp.	<u>699,808</u>
Total Arterial Street Fund	811,891
Drug Forfeiture Fund:	
VNET	12,782
Housing & Community Development:	
U.S. Dept. of Housing - Community Development Block Grant	38,266
Municipal Park Construction:	
WA Recreation and Conservation Office - Park Improvement Grants	326,201
Green River Community College	1,400
King County Water and Land Resources - Open Space	<u>31,627</u>
Total Municipal Park Fund	360,228
General Government Capital Improvements	
Pierce County - Real Estate Excise Taxes	21,292
Storm Fund:	
City of Algona - Street Sweeping	868
WA State Recreation & Conservation - Peasley Canyon Culvert	<u>89,741</u>
Total Storm Fund	90,608
Solid Waste Fund:	
Department of Ecology - ECPG Grant	2,731
King County - Local hazardous waste management grant	20,120
King County - Waste reduction and recycling grant	<u>31,166</u>
Total solid waste fund	54,017
Facilities Fund:	
GSA Utilities	5,956
Information Services Fund:	
GIS Support Services	2,024
Equipment Rental Fund:	
Wa State - Auction Sales	22,876
VRFA - Fuel Sales	<u>3,280</u>
Total Equipment Rental Fund	26,155
VSWAT Agency Fund:	
VSWAT - Participating Cities	70,884
Total	<u>\$ 3,111,148</u>
Reconciliation to government-wide statement of net assets:	
Total above due from other governmental units	\$ 3,111,148
Amount due to fiduciary fund	(70,884)
Total due from other governmental units, government-wide statement of net assets	<u>\$ 3,040,264</u>
Reported in Receivables	\$ 1,795,805
Reported in Restricted Assets	1,244,459
Total due from other governmental units, government-wide statement of net assets	<u>\$ 3,040,264</u>

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2010 is as follows:

Schedule of Capital Asset Activity				
	Balance 1/1/10	Increases	Decreases/ Adjustments	Balance 12/31/10
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 106,289,277	\$ 1,868,987	\$ (75,012)	\$ 108,083,252
Construction in progress	16,481,837	13,981,035	(16,481,837)	13,981,035
Total capital assets, not being depreciated	<u>122,771,114</u>	<u>15,850,022</u>	<u>(16,556,849)</u>	<u>122,064,287</u>
Capital assets, being depreciated:				
Buildings	23,476,321	31,459,156	(184)	54,935,293
Improvements other than buildings	13,968,419	144,048	-	14,112,467
Machinery and equipment	18,416,402	1,330,341	(771,862)	18,974,881
Intangibles	25,398,057	246,813	(24,549,186)	1,095,684
Infrastructure	243,659,009	14,345,174	-	258,004,183
Total capital assets being depreciated	<u>324,918,208</u>	<u>47,525,532</u>	<u>(25,321,232)</u>	<u>347,122,508</u>
Less: accumulated depreciation for:				
Buildings	(8,697,379)	(819,324)	-	(9,516,703)
Improvements other than buildings	(9,060,793)	(453,174)	-	(9,513,967)
Machinery and equipment	(11,256,356)	(1,659,501)	704,156	(12,211,701)
Intangibles	(191,620)	(244,042)	204,576	(231,086)
Infrastructure	(75,008,786)	(8,791,496)	-	(83,800,282)
Total accumulated depreciation	<u>(104,214,934)</u>	<u>(11,967,537)</u>	<u>908,732</u>	<u>(115,273,739)</u>
Total capital assets, being depreciated, net	<u>220,703,274</u>	<u>35,557,995</u>	<u>(24,412,500)</u>	<u>231,848,769</u>
Governmental activities capital assets, net	<u>\$ 343,474,388</u>	<u>\$ 51,408,017</u>	<u>\$ (40,969,349)</u>	<u>\$ 353,913,056</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 14,464,998	\$ 40,065	\$ -	\$ 14,505,063
Construction in progress	14,250,028	4,986,486	(13,959,978)	5,276,536
Total capital assets, not being depreciated	<u>28,715,026</u>	<u>5,026,551</u>	<u>(13,959,978)</u>	<u>19,781,599</u>
Capital assets, being depreciated:				
Buildings	12,303,238	101,749	(1,096,555)	11,308,432
Improvements other than buildings	196,984,977	20,369,338	(356,231)	216,998,084
Machinery and equipment	3,139,603	72,346	(122,573)	3,089,376
Total capital assets being depreciated	<u>212,427,818</u>	<u>20,543,433</u>	<u>(1,575,359)</u>	<u>231,395,892</u>
Less: accumulated depreciation for:				
Buildings	(4,173,877)	(324,206)	306,219	(4,191,864)
Improvements other than buildings	(66,795,994)	(4,794,457)	356,229	(71,234,222)
Machinery and equipment	(2,594,257)	(122,268)	31,115	(2,685,410)
Total accumulated depreciation	<u>(73,564,128)</u>	<u>(5,240,931)</u>	<u>693,563</u>	<u>(78,111,496)</u>
Total capital assets, being depreciated, net	<u>138,863,690</u>	<u>15,302,502</u>	<u>(881,796)</u>	<u>153,284,396</u>
Business-type activities capital assets, net	<u>\$ 167,578,716</u>	<u>\$ 20,329,053</u>	<u>\$ (14,841,774)</u>	<u>\$ 173,065,995</u>

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

Government activities:	
General government	\$ 677,678
Public safety	398,056
Transportation	8,908,915
Culture and recreation	531,306
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,451,582
Total depreciation/amortization expense - governmental activities	\$ 11,967,537
Business-type activities:	
Water	\$ 2,116,352
Sanitary sewer	1,372,282
Storm water	1,088,529
Solid waste	19,963
Golf course	336,319
Airport	216,961
Cemetery	57,198
Commercial retail	33,328
Total depreciation expense - business-type activities	\$ 5,240,931

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
2011	\$ 71,064
2012	71,064
2013	71,064
2014	71,064
2015	71,064
2016-2020	355,321
2021-2025	70,730
Total minimum lease payments	781,371
Less: Amounts representing interest	(176,686)
Present value of future minimum lease payments	\$ 604,685

As of December 31, 2010, the gross value of the Auburn Theater facility acquired under the capital lease is \$695,504. Monthly lease payments of \$5,922 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 4.85 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:

- 1998 Limited Tax General Obligation bonds were issued for construction of a library to be owned and operated by the King County Rural Library District. These bonds were advance refunded, in 2010, with the 2010A Limited Tax General Obligation bonds.
- 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.

On May 13, 2010, the City issued \$2,150,000 in General Obligation Bonds with an average interest rate of 4.07 percent to advance refund \$2,235,000 of outstanding 1998 Limited Tax General Obligation Bonds with an average interest rate of 4.27 percent. The net proceeds of \$2,285,269 (after payment of \$21,242 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Limited Tax General Obligation Bonds. As a result, the 1998 Limited Tax General Obligation bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The City advance refunded the 1998 Limited Tax General Obligation bonds to reduce its total debt service payments over the next nine years by \$177,965 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$162,947.

- 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.

Special Assessment Bonds are not a direct responsibility of the City, but are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the individual LID funds. The City is obligated for special assessment debt to the extent that it is required to establish an LID Guarantee fund for the purpose of guaranteeing the payment of local improvement bonds in the event there are insufficient funds in the individual LID fund.

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 \$10,296,024. 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, 2010. 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 (1)	Utility	Special Assessment	Employee Leave Benefit	Employment Benefits	Premium	Deferred Charges	Due To Other Governments	Total
Long-term debt payable 12/31/09	\$ 34,685,579	\$ 10,897,964	\$ 36,827	\$ 2,649,569	\$ 1,446,786	\$ 225,132	\$ (229,481)	\$ 27,985,850	\$ 77,698,226
Added	32,257,273	22,170,000	-	1,819,401	1,670,548	826,626	(391,289)	1,065,000	59,417,559
Retired	(27,851,277)	(998,830)	(36,827)	(1,819,266)	(1,048,494)	(85,589)	66,413	(1,274,000)	(33,047,869)
Long-term debt payable 12/31/10	\$ 39,091,575	\$ 32,069,134	\$ -	\$ 2,649,704	\$ 2,068,840	\$ 966,169	\$ (554,357)	\$ 27,776,850	\$ 104,067,916

(1) Includes capital leases

DEBT SERVICE REQUIREMENT TO MATURITY

YEAR	General		Capital Lease		Utility		Special		Employee	Total	
	Obligation Bonds		Obligation		Bonds/Loans		Assessments		Leave Benefits	Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal (1)	Interest
2011	1,386,000	3,592,121	42,676	28,387	1,094,214	1,255,847	-	-	1,739,997	4,262,887	4,876,355
2012	1,426,000	3,553,389	44,795	26,270	1,109,212	1,284,117	-	-	90,971	2,670,978	4,863,776
2013	2,073,650	3,495,405	47,015	24,049	1,689,213	1,266,854	-	-	90,971	3,900,849	4,786,308
2014	2,141,500	3,423,436	49,347	21,717	1,719,213	1,232,140	-	-	90,971	4,001,031	4,677,293
2015	2,211,900	3,336,192	51,794	19,270	1,749,213	1,194,737	-	-	90,971	4,103,878	4,550,199
2016	2,075,150	3,247,736	54,363	16,701	1,789,213	1,149,511	-	-	90,971	4,009,697	4,413,948
2017	2,159,950	3,159,462	57,059	14,005	1,834,213	1,102,760	-	-	90,971	4,142,193	4,276,227
2018	2,244,400	3,062,867	59,889	11,176	1,874,213	1,056,496	-	-	90,971	4,269,473	4,130,539
2019	2,046,100	2,969,259	62,859	8,206	1,924,213	1,003,283	-	-	90,971	4,124,143	3,980,748
2020	1,924,350	2,884,078	65,976	5,088	1,791,845	947,819	-	-	90,971	3,873,142	3,836,985
2021	1,989,150	2,804,060	68,912	1,816	1,841,845	891,930	-	-	90,969	3,990,876	3,697,806
2022	2,077,900	2,748,800	-	-	1,659,759	819,626	-	-	-	3,737,659	3,568,426
2023	2,152,350	2,688,264	-	-	1,678,645	745,909	-	-	-	3,830,995	3,434,173
2024	2,236,800	2,623,815	-	-	1,728,645	669,907	-	-	-	3,965,445	3,293,722
2025	2,324,350	2,553,480	-	-	1,670,801	591,074	-	-	-	3,995,151	3,144,554
2026	2,001,550	2,299,218	-	-	1,720,801	509,950	-	-	-	3,722,351	2,809,168
2027	2,080,300	2,238,207	-	-	1,605,383	415,265	-	-	-	3,685,683	2,653,472
2028	2,170,600	2,174,659	-	-	1,665,383	317,324	-	-	-	3,835,983	2,491,983
2029	2,252,450	2,108,477	-	-	1,650,000	215,545	-	-	-	3,902,450	2,324,022
2030	2,345,850	2,038,463	-	-	1,720,000	110,011	-	-	-	4,065,850	2,148,474
2031	2,438,900	1,719,130	-	-	-	-	-	-	-	2,438,900	1,719,130
2032	2,546,950	1,641,860	-	-	-	-	-	-	-	2,546,950	1,641,860
2033	2,648,100	1,561,308	-	-	-	-	-	-	-	2,648,100	1,561,308
2034	2,757,350	1,477,270	-	-	-	-	-	-	-	2,757,350	1,477,270
2035	2,413,150	1,039,997	-	-	-	-	-	-	-	2,413,150	1,039,997
2036	2,510,500	948,575	-	-	-	-	-	-	-	2,510,500	948,575
2037	2,615,950	853,257	-	-	-	-	-	-	-	2,615,950	853,257
2038	2,724,500	753,836	-	-	-	-	-	-	-	2,724,500	753,836
2039	2,841,150	650,109	-	-	-	-	-	-	-	2,841,150	650,109
TOTALS	\$ 64,816,850	\$ 67,646,730	\$ 604,685	\$ 176,685	\$ 33,516,024	\$ 16,780,105	\$ -	\$ -	\$ 2,649,705	\$ 101,587,264	\$ 84,603,520

- (1) \$ 101,587,264 Principal debt service requirements to maturity
- 2,068,840 Other Post Employment Benefits
- 966,169 Premium
- (554,357) Deferred Charges
- \$ 104,067,916 Long Term Liabilities 12/31/2010

CHANGES IN LONG-TERM LIABILITIES

Issue Name	Interest Rates	Maturity Date	Original Amount	Principal Installments	Balance 12/31/09	Additions	Reductions	Balance 12/31/10	Due Within One Year
Governmental debt:									
<u>General obligation bonds:</u>									
LTGO Library	3.75-5.00%	12/1/2018	\$ 4,000,000	\$110,000 - \$290,000	\$ 2,235,000	\$ -	\$ (2,235,000)	-	\$ -
LTGO 2010A (1)	2.00-4.50%	12/1/2018	4,385,000	\$510,000 - \$270,000	-	4,385,000	(510,000)	3,875,000	690,000
LTGO 2010B (1)	3.27-6.24%	12/1/2039	20,365,000	\$535,000 - \$1,240,000	-	20,365,000	-	20,365,000	-
LTGO 2010C (1)	2.00-4.00%	12/1/2014	920,000	\$105,000 - \$215,000	-	920,000	(105,000)	815,000	195,000
LTGO 2010D (1)	3.27-6.19%	12/1/2034	6,320,000	\$220,000 - \$445,000	-	6,320,000	-	6,320,000	-
Total general obligation bonds			35,990,000		2,235,000	31,990,000	(2,850,000)	31,375,000	885,000
<u>Capital lease:</u>									
Auburn Avenue Theater	4.85%	12/31/2021	695,504	\$5,500 - \$5,922	644,418	-	(39,733)	604,685	42,676
Annex	7.30%	12/1/2039	24,549,182	\$137,478 - \$209,087	24,549,182	-	(24,549,182)	-	-
Total capital leases			25,244,686		25,193,600	-	(24,588,915)	604,685	42,676
<u>Employee leave benefit:</u>									
Compensated absences			-		2,059,963	1,377,217	(1,431,455)	2,005,725	1,317,112
<u>Other Post Employment Benefits:</u>									
LEOFF 1			-		1,446,786	1,670,548	(1,048,494)	2,068,840	-
<u>Public Works Trust Fund loans:</u>									
PWTF 2006(a)	0.50%	7/1/2010	163,713	\$35,578	56,979	-	(56,979)	-	-
PWTF 2008	0.50%	7/1/2028	1,527,273	\$80,383	1,260,000	267,273	(80,383)	1,446,890	80,383
Total Public Works Trust Fund loans			1,690,986		1,316,979	267,273	(137,362)	1,446,890	80,383
<u>Special assessment bonds:</u>									
L.I.D. # 347	6.85%	5/1/2012	587,827	Varies	36,827	-	(36,827)	-	-
Premium related to debt					28,239	305,844	(66,107)	267,976	-
Deferred charges related to debt					(29,161)	(304,164)	45,129	(288,196)	-
Total governmental			\$ 63,513,499		\$ 32,288,233	\$ 35,306,718	\$ (30,114,031)	\$ 37,480,920	\$ 2,325,171
Business-type debt:									
<u>General obligation bonds</u>									
GO refunding bond 2005 (1)	4.00-4.50%	12/1/2019	1,375,000	\$10,000 - \$190,000	1,345,000	-	(85,000)	1,260,000	100,000
GO bond 2006 (1)	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	1,320,000	-	(190,000)	1,130,000	205,000
Total GO bonds			6,535,000		5,940,000	-	(275,000)	5,665,000	305,000
<u>Revenue bonds:</u>									
Utility sys. refunding bonds 2005 (1)	3.00-4.75%	11/1/2016	2,765,000	\$45,000 - \$355,000	2,200,000	-	(275,000)	1,925,000	290,000
Utility sys bonds 2010 (1)	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		2,200,000	21,295,000	(275,000)	23,220,000	290,000
<u>Employee leave benefit:</u>									
Compensated absences			-		589,606	442,184	(387,811)	643,980	422,885
<u>Public Works Trust Fund loans:</u>									
PWTF 1999	1.00%	7/1/2019	3,465,000	\$182,368	1,823,684	-	(182,368)	1,641,316	182,369
PWTF 2001	0.50%	7/1/2021	4,290,405	\$227,086	2,725,027	-	(227,086)	2,497,941	227,086
PWTF 2002	1.00%	7/1/2022	641,250	\$26,114	339,488	-	(26,114)	313,374	26,114
PWTF 2004	0.50%	7/1/2024	2,049,036	\$107,844	1,617,660	-	(107,844)	1,509,816	107,844
PWTF 2006(b)	0.50%	7/1/2026	3,325,000	\$180,418	2,192,105	875,000	(180,418)	2,886,687	180,418
Total Public Works Trust Fund loans			13,770,691		8,697,964	875,000	(723,830)	8,849,134	723,831
Premium related to debt					196,893	520,782	(19,482)	698,193	-
Deferred charges related to debt					(200,320)	(87,125)	21,284	(266,161)	-
Total proprietary			\$ 44,365,691		\$ 17,424,143	\$ 23,045,841	\$ (1,659,838)	\$ 38,810,146	\$ 1,741,716
Total all funds			\$ 107,879,190		\$ 49,712,376	\$ 58,352,559	\$ (31,773,869)	\$ 76,291,066	\$ 4,066,887

(1) 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. The 2000 debt was paid in 2010 and new debt was issued.
- 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 12/31/09	Additions	Reductions	Balance 12/31/10	Due Within One Year
Governmental debt:									
General obligation bonds:									
Valley Communication Public Dev Auth	4.30-5.75%	12/1/2015	2,551,600	\$96,600 - \$233,000	1,253,000	-	(1,253,000)	-	-
Valley Communication Public Dev Auth	3.00-4.00%	12/1/2015	1,065,000	\$21,000 - \$220,000	-	1,065,000	(21,000)	1,044,000	196,000
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	-
Total general obligation bonds due other governments			\$ 30,349,450		\$ 27,985,850	\$ 1,065,000	\$ (1,274,000)	\$ 27,776,850	\$ 196,000

LONG-TERM LIABILITIES RECONCILIATION

	Enterprise Funds	Governmental Funds	12/31/10
Liabilities payable from restricted assets:			
Revenue bonds	\$ 2,102,537	\$ -	\$ 2,102,537
Long-term bonds payable:			
General obligation bonds	5,665,000	31,375,000	37,040,000
Capital lease	-	604,685	604,685
Revenue bonds	21,117,463	-	21,117,463
Special assessments with government commitment	-	-	-
Public Works Trust Fund loans	8,849,134	1,446,890	10,296,024
Due to Other Governments	-	27,776,850	27,776,850
Employee leave benefits	643,980	2,005,725	2,649,704
Other Post Employment Benefits	-	2,068,840	2,068,840
Premium	698,193	267,976	966,169
Deferred charges	(266,161)	(288,196)	(554,357)
Total long-term debt	\$ 38,810,146	\$ 65,257,770	\$ 104,067,916

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 2010 was 3.62.

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.

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 and defined contribution 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. 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

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants 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) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also 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 is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price

Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. 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. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.

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 4 varies with age, for each year before age 65. 5
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is 6 reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor 7 (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 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 23 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 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	<u>53,896</u>
Total	262,166

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 Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. 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, 2010, were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% 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 3.90% 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*	5.31%	5.31%	5.31%**
Employee	12.26%	9.75%	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
2010	\$21,906	\$845,629	\$181,993
2009	\$49,565	\$1,167,042	\$263,837
2008	\$54,719	\$1,173,956	\$238,108

The employer contribution rate for the City was 8.31% in 2008, 5.31% in 2009 and 2010.

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

Plan Description

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. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

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 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. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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:

Term of Service	Percent of Final Average Salary
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 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to but not yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	<u>3,944</u>
Total	27,435

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, 2010, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
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:

	LEOFF Plan 1	LEOFF Plan 2
2010	\$190	\$469,715
2009	\$189	\$470,102
2008	\$221	\$459,489

Public Safety Employees’ Retirement System (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and 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.

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 Washington state cities except for Seattle, Tacoma and Spokane.

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.
- Limited authority to 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 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PERS 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 purchase 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 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to but not yet Receiving Benefits	-
Active Plan Members Vested	-
Active Plan Members Non-vested	<u>4,340</u>
Total	4,342

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, 2010, were as follows:

PSERS Plan 2	
Employer*	7.85%
Employee	6.55%

*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:

PSERS Plan 2	
2010	\$ 55,262
2009	\$ 58,643
2008	\$ 57,147

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 2010 \$63,545 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

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

Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension 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	(48,953)
(4,885)	N/A	(23,740)
(77,503)	N/A	(138,475)
(73,634)	N/A	(261,158)

GASB STATEMENT No. 27
Annual Development of Pension Cost

Fiscal Year Ending	ARC at End of Year ⁽¹⁾	Interest on NPO ⁽²⁾	ARC Adjustment	Amort. Factor *	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO Balance ⁽³⁾
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)

⁽¹⁾ A change in consulting actuaries resulted in a recommended change in the actuarial methods and assumptions.

⁽²⁾ 8% interest rate was used for years prior to January 1, 1999; 7% 2000 - 2004; 6% 2005-2006; 5% 2007-2008; 4% thereafter.

⁽³⁾ 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.

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

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.

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 table below 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.

	<u>Fiscal Year Ending</u> <u>12/31/2010</u>
Annual required contribution (ARC)	
1. Annual Normal Costs at beginning of year	\$ 90,257
2. Amortization of UAAL at beginning of year	1,540,432
3. Interest to end of year	<u>81,534</u>
4. ARC at end of year	\$ 1,712,223
5. Interest on Net OPEB Obligation	<u>72,339</u>
6. Adjustment to ARC	<u>114,014</u>
7. Annual OPEB Cost	\$ 1,670,548
8. Employer Contributions	1,048,494
9. Change in Net OPEB Obligation	<u>622,054</u>
10. Net OPEB Obligation at beginning of year	<u>1,446,786</u>
11. Net OPEB Obligation at end of year	\$ 2,068,840

The net OPEB obligation of \$2,068,840 is included as a non-current liability on the Statement of Fund Net Assets.

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

Fiscal Year Ending	Annual OPEB Cost	Contributions as a Percentage of Annual OPEB Cost	Net OPEB Obligation
December 31, 2010	\$ 1,670,548	63%	\$ 2,068,840

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 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 \$668.43 per month for non-Medicare enrolled retiree-only coverage, \$1,339.17 for non-Medicare enrolled retiree and spouse coverage, \$1,035.56 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$731.95 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, 2010 the City had the following contractual obligations on construction projects:

SCHEDULE OF OUTSTANDING CONSTRUCTION OBLIGATIONS
AS OF DECEMBER 31, 2010

	Amount Outstanding
Traffic projects	\$ 113,913
Street projects	435,248
Utilities projects	6,509,666
Other projects	2,958,135
Total commitments	<u>\$ 10,016,962</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 2010, of the \$4,194 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 2010 cost distribution for the five participating cities is as follows:

	Dispatchable Calls	Percent of Total *
Renton	79,729	21.77%
Kent	94,799	25.89%
Auburn	73,969	20.20%
Tukwila	34,691	9.47%
Federal Way	83,022	22.67%
Total	366,210	100.00%

* 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, 2009	\$ 4,653,923	\$ 6,628,171	\$ 4,408,776	\$ 2,661,250	\$ 2,903,476	\$ 21,255,596
Current year change	179,748	213,723	166,762	78,210	187,172	825,615
Equity Dec 31, 2010	<u>\$ 4,833,671</u>	<u>\$ 6,841,894</u>	<u>\$ 4,575,538</u>	<u>\$ 2,739,460</u>	<u>\$ 3,090,648</u>	<u>\$ 22,081,211</u>
% of equity	21.89%	30.99%	20.72%	12.41%	14.00%	
% of 2010 distribution	21.77%	25.89%	20.20%	9.47%	22.67%	

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 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%	
			Subsidy	Total							
2011	\$ -	\$ 5,155,732	\$ (1,675,089)	\$ 3,480,643	\$ 1,078,999	\$ 139,226	\$ 626,516	\$ 1,253,031	\$ 104,419	\$ 278,451	
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	
2016-2020	11,145,000	23,535,189	(8,001,883)	26,678,306	8,270,275	1,067,132	4,802,095	9,604,190	800,349	2,134,264	
2021-2025	13,405,000	20,377,998	(7,211,504)	26,571,494	8,237,163	1,062,860	4,782,869	9,565,738	797,145	2,125,720	
2026-2030	16,325,000	15,803,611	(5,715,798)	26,412,813	8,187,972	1,056,513	4,754,306	9,508,613	792,384	2,113,025	
2031-2035	20,095,000	9,856,351	(3,682,383)	26,268,968	8,143,380	1,050,759	4,728,414	9,456,828	788,069	2,101,517	
2036-2039	19,410,000	2,636,145	(1,147,380)	20,898,765	6,478,617	835,951	3,761,778	7,523,555	626,963	1,671,901	
Totals	\$ 86,235,000	\$ 97,709,391	\$ (34,071,977)	\$ 149,872,414	\$ 46,460,447	\$ 5,994,898	\$ 26,977,035	\$ 53,954,068	\$ 4,496,171	\$ 11,989,792	

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, 2010 related to SCORE:

South Correctional Entity (SCORE) 2010 Owner Cities Equity Allocation					
Member City	Percent of Equity	2009 Equity Balance	2010 Distribution	2010 Equity Balance	
Auburn	31.00%	\$ 1,692,471	\$ (90,883)	\$ 1,601,588	
Burien	4.00%	218,383	(11,727)	206,656	
Federal Way	18.00%	982,725	(52,771)	929,954	
Renton	36.00%	1,965,450	(105,540)	1,859,910	
SeaTac	3.00%	163,787	(8,795)	154,992	
Tukwila	8.00%	436,767	(23,454)	413,313	
Grand Totals	100.00%	\$ 5,459,583	\$ (293,170)	\$ 5,166,413	

Completed financial statements for SCORE and SCORE PDA can be obtained from the SCORE office, City of Renton, 1055 South Grady Way, Renton, WA 98057.

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 2010 Auburn paid \$33,404 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 2010 were \$188,288. Medical premiums and benefit payments made under the Fire Relief and Pension Plan for 2010 were \$135,430.

NOTE 17 – CONTINGENCIES AND LITIGATION

As of December 31, 2010, 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 145 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.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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, 2010 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, 2010

	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	TOTAL NONMAJOR DEBT SERVICE FUNDS	TOTAL NONMAJOR CAPITAL PROJ FUNDS	TOTAL NONMAJOR PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 13,900,196	\$ 187,988	\$ 6,099,707	\$ 1,537,107	\$ 21,724,998
RECEIVABLES:					
OTHER RECEIVABLES	59,630	-	-	-	59,630
SPECIAL ASSESSMENTS	-	609,281	-	-	609,281
DUE FROM OTHER GOVERNMENTAL UNITS	51,048	-	360,228	-	411,276
PREPAID EXPENSES	4,320	-	-	-	4,320
TOTAL ASSETS	14,015,193	797,269	6,459,935	1,537,107	22,809,504
LIABILITIES AND FUND BALANCES:					
CURRENT PAYABLES	295,619	-	995,255	-	1,290,875
DEFERRED REVENUE	-	609,281	-	-	609,281
TOTAL LIABILITIES	295,619	609,281	995,255	-	1,900,156
FUND BALANCES:					
RESERVED FOR:					
DEBT SERVICE	-	187,988	-	-	187,988
ENDOWMENT	-	-	-	1,404,390	1,404,390
UNRESERVED					
DESIGNATED FOR MITIGATION	4,077,265	-	-	-	4,077,265
UNDESIGNATED	9,642,309	-	5,464,680	132,717	15,239,705
TOTAL FUND BALANCES	13,719,574	187,988	5,464,680	1,537,107	20,909,348
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,015,193	\$ 797,269	\$ 6,459,935	\$ 1,537,107	\$ 22,809,504

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	TOTAL NONMAJOR SPECIAL REVENUE	TOTAL NONMAJOR DEBT SERVICE	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR PERMANENT	TOTAL NONMAJOR GOVERNMENTAL
REVENUES:					
TAXES:					
PROPERTY	\$ 1,500,000	\$ -	\$ 113,492	\$ -	\$ 1,613,492
RETAIL SALES & USE		147,604			147,604
INTERFUND UTILITY	398,298	-	-	-	398,298
UTILITY	1,494,208	-	-	-	1,494,208
EXCISE	66,549	-	-	-	66,549
OTHER	65,234	-	-	-	65,234
INTERGOVERNMENTAL	354,856	295,590	891,994	-	1,542,440
CHARGES FOR SERVICES	1,115,948	-	21,985	52,156	1,190,089
SPECIAL ASSESSMENTS	-	43,502	-	-	43,502
INVESTMENT EARNINGS	78,295	32,285	14,462	4,194	129,236
MISCELLANEOUS	415,871	-	93,001	-	508,873
TOTAL REVENUES	5,489,258	518,981	1,134,935	56,350	7,199,524
EXPENDITURES:					
CURRENT:					
SECURITY OF PERSONS & PROPERTY	405,683	-	-	-	405,683
TRANSPORTATION	2,660,391	-	-	-	2,660,391
ECONOMIC ENVIRONMENT	445,216	-	-	-	445,216
CULTURAL AND RECREATION	-	20,768	75,000	-	95,768
DEBT SERVICE					
PRINCIPAL	-	683,391	-	-	683,391
INTEREST	-	1,021,714	-	-	1,021,714
CAPITAL OUTLAY	-	-	5,805,827	-	5,805,827
TOTAL EXPENDITURES	3,511,289	1,725,874	5,880,827	-	11,117,990
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	1,977,969	(1,206,893)	(4,745,892)	56,350	(3,918,466)
OTHER FINANCING SOURCES (USES):					
ISSURANCE OF DEBT		-	7,240,000		7,240,000
ISSURANCE OF REFUNDING BOND		2,150,000			2,150,000
DEBT PREMIUM		156,511	43,708		200,220
PAYMENT TO ESCROW AGENT- REFUNDED BOND		(2,235,000)			(2,235,000)
INSURANCE RECOVERIES			75,000		75,000
TRANSFERS IN (Note 5)	807,377	1,258,291	2,200,196	-	4,265,865
TRANSFERS OUT (Note 5)	(3,009,168)	(120,101)	-	(25,605)	(3,154,874)
TOTAL OTHER FINANCING SOURCES (USES)	(2,201,791)	1,209,702	9,558,905	(25,605)	8,541,211
NET CHANGE IN FUND BALANCES	(223,822)	2,809	4,813,013	30,745	4,622,745
FUND BALANCES - BEGINNING	13,943,396	185,179	651,667	1,506,362	16,286,604
FUND BALANCES - ENDING	\$ 13,719,574	\$ 187,988	\$ 5,464,680	\$ 1,537,107	\$ 20,909,348



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 ten 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.*

The Cumulative Reserve Fund - *Created for the purpose of revenue stabilization for future operations.*

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, 2010

	LOCAL STREETS	HOTEL/ MOTEL TAX	ARTERIAL STREET PRESERVATION	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT
ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 2,117,214	\$ 93,532	\$ 412,038	\$ 964,849	\$ 15,439
OTHER RECEIVABLES	-	-	59,630	-	-
DUE FROM OTHER GOVERNMENTAL UNITS	-	-	-	12,782	-
PREPAID EXPENSES	-	4,320	-	-	-
TOTAL ASSETS	2,117,214	97,852	471,668	977,630	15,439
LIABILITIES AND FUND BALANCES:					
CURRENT PAYABLES	54,640	-	19,318	51,450	-
TOTAL LIABILITIES	54,640	-	19,318	51,450	-
FUND BALANCES:					
UNRESERVED					
DESIGNATED FOR MITIGATION	-	-	-	-	-
UNDESIGNATED	2,062,575	97,852	452,350	926,180	15,439
TOTAL FUND BALANCES	2,062,575	97,852	452,350	926,180	15,439
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,117,214	\$ 97,852	\$ 471,668	\$ 977,630	\$ 15,439

HOUSING COMMUNITY DEVELOPMENT	RECREATION TRAILS	BUSINESS IMPROVEMENT AREA	CUMULATIVE RESERVE	MITIGATION FEES	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 42,998	\$ 8,194	\$ 44,817	\$ 5,732,032	\$ 4,469,082	\$ 13,900,196
-	-	-	-	-	59,630
38,266	-	-	-	-	51,048
-	-	-	-	-	4,320
<u>81,264</u>	<u>8,194</u>	<u>44,817</u>	<u>5,732,032</u>	<u>4,469,082</u>	<u>14,015,193</u>
37,965	-	-	-	132,246	295,619
<u>37,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,246</u>	<u>295,619</u>
-	-	-	-	4,077,265	4,077,265
<u>43,299</u>	<u>8,194</u>	<u>44,817</u>	<u>5,732,032</u>	<u>259,571</u>	<u>9,642,309</u>
43,299	8,194	44,817	5,732,032	4,336,836	13,719,574
<u>\$ 81,264</u>	<u>\$ 8,194</u>	<u>\$ 44,817</u>	<u>\$ 5,732,032</u>	<u>\$ 4,469,082</u>	<u>\$ 14,015,193</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, 2010

	LOCAL STREETS	HOTEL/ MOTEL TAX	ARTERIAL STREET PRESERVATION	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT GRANT
REVENUES:					
TAXES:					
PROPERTY	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -
INTERFUND UTILITY	-	-	398,298	-	-
UTILITY	-	-	1,494,208	-	-
EXCISE	-	66,549	-	-	-
OTHER	-	-	-	-	-
INTERGOVERNMENTAL	-	-	-	63,975	-
CHARGES FOR SERVICES	-	18,240	-	-	-
INVESTMENT EARNINGS	5,518	264	2,097	2,382	21
MISCELLANEOUS	-	-	-	405,761	-
TOTAL REVENUES	1,505,518	85,054	1,894,602	472,117	21
EXPENDITURES:					
CURRENT:					
SECURITY OF PERSONS & PROPERTY	-	-	-	291,683	-
TRANSPORTATION	1,081,550	-	1,578,841	-	-
ECONOMIC ENVIRONMENT	-	87,878	-	-	-
TOTAL EXPENDITURES	1,081,550	87,878	1,578,841	291,683	-
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	423,969	(2,824)	315,761	180,434	21
OTHER FINANCING SOURCES (USES):					
TRANSFERS IN (Note 5)	150,000	-	-	-	-
TRANSFERS OUT (Note 5)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	150,000	-	-	-	-
NET CHANGE IN FUND BALANCES	573,969	(2,824)	315,761	180,434	21
FUND BALANCES - BEGINNING	1,488,606	100,676	136,589	745,746	15,418
FUND BALANCES - ENDING	\$ 2,062,575	\$ 97,852	\$ 452,350	\$ 926,180	\$ 15,439

HOUSING COMMUNITY DEVELOPMENT	RECREATION TRAILS	BUSINESS IMPROVEMENT AREA	CUMULATIVE RESERVE	MITIGATION FEES	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000
-	-	-	-	-	398,298
-	-	-	-	-	1,494,208
-	-	-	-	-	66,549
-	-	65,234	-	-	65,234
290,881	-	-	-	-	354,856
-	-	-	-	1,097,708	1,115,948
1	118	124	52,626	15,144	78,295
10,111	-	-	-	-	415,871
<u>300,992</u>	<u>118</u>	<u>65,358</u>	<u>52,626</u>	<u>1,112,851</u>	<u>5,489,258</u>
-	-	-	-	114,000	405,683
-	-	-	-	-	2,660,391
291,501	-	65,837	-	-	445,216
<u>291,501</u>	<u>-</u>	<u>65,837</u>	<u>-</u>	<u>114,000</u>	<u>3,511,289</u>
<u>9,491</u>	<u>118</u>	<u>(479)</u>	<u>52,626</u>	<u>998,851</u>	<u>1,977,969</u>
-	7,100	-	650,277	-	807,377
-	(44,000)	-	(331,559)	(2,633,609)	(3,009,168)
-	<u>(36,900)</u>	<u>-</u>	<u>318,718</u>	<u>(2,633,609)</u>	<u>(2,201,791)</u>
9,491	(36,782)	(479)	371,345	(1,634,758)	(223,822)
33,808	44,976	45,296	5,360,687	5,971,594	13,943,396
<u>\$ 43,299</u>	<u>\$ 8,194</u>	<u>\$ 44,817</u>	<u>\$ 5,732,032</u>	<u>\$ 4,336,836</u>	<u>\$ 13,719,574</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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
PROPERTY	\$ 2,200,000	\$ 1,500,000	\$ 1,500,000	-
INVESTMENT EARNINGS	13,600	9,000	5,518	(3,482)
TOTAL REVENUES	2,213,600	1,509,000	1,505,518	(3,482)
EXPENDITURES:				
CURRENT:				
TRANSPORTATION	2,200,000	2,203,800	1,081,550	1,122,250
TOTAL EXPENDITURES	2,200,000	2,203,800	1,081,550	1,122,250
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	13,600	(694,800)	423,969	1,118,769
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN (Note 5)	150,000	150,000	150,000	-
TRANSFERS OUT (Note 5)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	150,000	150,000	150,000	-
NET CHANGE IN FUND BALANCES	163,600	(544,800)	573,969	1,118,769
FUND BALANCES - BEGINNING	604,641	1,488,606	1,488,606	-
FUND BALANCES - ENDING	\$ 768,241	\$ 943,806	\$ 2,062,575	\$ 1,118,769

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
EXCISE	\$ 76,000	\$ 76,000	\$ 66,549	\$ (9,451)
CHARGES FOR SERVICES	9,100	57,640	18,240	(39,400)
INVESTMENT EARNINGS	600	500	264	(236)
TOTAL REVENUES	85,700	134,140	85,054	(49,086)
EXPENDITURES:				
CURRENT:				
ECONOMIC ENVIRONMENT	85,500	171,380	87,878	83,502
TOTAL EXPENDITURES	85,500	171,380	87,878	83,502
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	200	(37,240)	(2,824)	34,416
 NET CHANGE IN FUND BALANCES	 200	 (37,240)	 (2,824)	 34,416
 FUND BALANCES - BEGINNING	 32,600	 100,676	 100,676	 -
FUND BALANCES - ENDING	\$ 32,800	\$ 63,436	\$ 97,852	\$ 34,416

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
INTERFUND UTILITY	\$ 383,200	\$ 383,200	\$ 398,298	\$ 15,098
UTILITY	1,116,800	1,116,800	1,494,208	377,408
INVESTMENT EARNINGS	27,500	5,000	2,097	(2,903)
TOTAL REVENUES	1,527,500	1,505,000	1,894,602	389,602
EXPENDITURES:				
CURRENT:				
TRANSPORTATION	1,500,000	1,605,000	1,578,841	26,159
TOTAL EXPENDITURES	1,500,000	1,605,000	1,578,841	26,159
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	27,500	(100,000)	315,761	415,761
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN (Note 5)	-	-	-	-
TRANSFERS OUT (Note 5)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	27,500	(100,000)	315,761	415,761
FUND BALANCES - BEGINNING	27,000	136,589	136,589	-
FUND BALANCES - ENDING	\$ 54,500	\$ 36,589	\$ 452,350	\$ 415,761

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
INTERGOVERNMENTAL	\$ -	\$ -	\$ 63,975	\$ 63,975
INVESTMENT EARNINGS	15,000	5,000	2,382	(2,618)
MISCELLANEOUS	200,000	220,000	405,761	185,761
TOTAL REVENUES	215,000	225,000	472,117	247,117
EXPENDITURES:				
CURRENT:				
SECURITY OF PERSONS & PROPERTY	237,300	410,900	291,683	119,217
TOTAL EXPENDITURES	237,300	410,900	291,683	119,217
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(22,300)	(185,900)	180,434	366,334
NET CHANGE IN FUND BALANCES	(22,300)	(185,900)	180,434	366,334
FUND BALANCES - BEGINNING	414,107	745,747	745,747	-
FUND BALANCES - ENDING	\$ 391,807	\$ 559,847	\$ 926,181	\$ 366,334

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
INTERGOVERNMENTAL	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
INVESTMENT EARNINGS	100	100	21	(79)
TOTAL REVENUES	10,100	10,100	21	(10,079)
EXPENDITURES:				
CURRENT:				
SECURITY OF PERSONS & PROPERTY	11,100	11,100	-	11,100
TOTAL EXPENDITURES	11,100	11,100	-	11,100
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(1,000)	(1,000)	21	1,021
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN (Note 5)	1,000	1,000	-	(1,000)
TRANSFERS OUT (Note 5)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,000	1,000	-	(1,000)
NET CHANGE IN FUND BALANCES	-	-	21	21
FUND BALANCES - BEGINNING	12,261	15,418	15,418	-
FUND BALANCES - ENDING	\$ 12,261	\$ 15,418	\$ 15,439	\$ 21

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
INTERGOVERNMENTAL	\$ 600,900	\$ 600,900	\$ 290,881	\$ (310,019)
INVESTMENT EARNINGS	-	-	1	1
MISCELLANEOUS	-	-	10,111	10,111
TOTAL REVENUES	600,900	600,900	300,992	(299,908)
EXPENDITURES:				
CURRENT:				
ECONOMIC ENVIRONMENT	600,900	594,400	291,501	302,899
TOTAL EXPENDITURES	600,900	594,400	291,501	302,899
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	-	6,500	9,491	2,991
NET CHANGE IN FUND BALANCES	-	6,500	9,491	2,991
FUND BALANCES - BEGINNING	10,231	33,809	33,809	-
FUND BALANCES - ENDING	\$ 10,231	\$ 40,309	\$ 43,300	\$ 2,991

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
INVESTMENT EARNINGS	\$ 800	\$ 300	\$ 118	\$ (182)
TOTAL REVENUES	800	300	118	(182)
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	800	300	118	(182)
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN (Note 5)	7,100	7,100	7,100	-
TRANSFERS OUT (Note 5)	-	(44,000)	(44,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	7,100	(36,900)	(36,900)	-
NET CHANGE IN FUND BALANCES	7,900	(36,600)	(36,782)	(182)
FUND BALANCES - BEGINNING	45,294	44,977	44,977	-
FUND BALANCES - ENDING	\$ 53,194	\$ 8,377	\$ 8,195	\$ (182)

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
OTHER	\$ 53,000	\$ 53,000	\$ 65,234	\$ 12,234
INVESTMENT EARNINGS	2,100	400	124	(276)
TOTAL REVENUES	55,100	53,400	65,358	11,958
EXPENDITURES:				
CURRENT:				
ECONOMIC ENVIRONMENT	54,000	67,300	65,837	1,463
TOTAL EXPENDITURES	54,000	67,300	65,837	1,463
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	1,100	(13,900)	(479)	13,421
NET CHANGE IN FUND BALANCES				
	1,100	(13,900)	(479)	13,421
FUND BALANCES - BEGINNING				
	70,958	45,296	45,296	-
FUND BALANCES - ENDING	\$ 72,058	\$ 31,396	\$ 44,817	\$ 13,421

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
INVESTMENT EARNINGS	\$ 146,000	\$ 40,000	\$ 52,626	\$ 12,626
TOTAL REVENUES	146,000	40,000	52,626	12,626
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	146,000	40,000	52,626	12,626
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN (Note 5)	-	650,277	650,277	0
TRANSFERS OUT (Note 5)	-	(453,500)	(331,559)	121,941
TOTAL OTHER FINANCING SOURCES (USES)	-	196,777	318,718	121,941
NET CHANGE IN FUND BALANCES	146,000	236,777	371,345	134,568
FUND BALANCES - BEGINNING	5,371,268	5,360,687	5,360,687	-
FUND BALANCES - ENDING	\$ 5,517,268	\$ 5,597,464	\$ 5,732,032	\$ 134,568

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, 2010

	ORIGINAL BUDGET (GAAP BASIS)	FINAL AMENDED BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
CHARGES FOR SERVICES	\$ 810,000	\$ 760,000	\$ 1,097,708	\$ 337,708
INVESTMENT EARNINGS	100,000	44,000	15,144	(28,856)
TOTAL REVENUES	910,000	804,000	1,112,851	308,851
EXPENDITURES:				
CURRENT:				
SECURITY OF PERSONS & PROPERTY	-	114,000	114,000	-
TOTAL EXPENDITURES	-	114,000	114,000	-
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	910,000	690,000	998,851	308,851
OTHER FINANCING SOURCES (USES):				
TRANSFERS OUT (Note 5)	(2,508,500)	(3,641,380)	(2,633,609)	1,007,771
TOTAL OTHER FINANCING SOURCES (USES)	(2,508,500)	(3,641,380)	(2,633,609)	1,007,771
NET CHANGE IN FUND BALANCES	(1,598,500)	(2,951,380)	(1,634,758)	1,316,622
FUND BALANCES - BEGINNING	4,588,145	5,971,594	5,971,594	-
FUND BALANCES - ENDING	\$ 2,989,645	\$ 3,020,214	\$ 4,336,836	\$ 1,316,622



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, 2010

	GO LIBRARY REFUNDING BOND DEBT	2010 A&B ANNEX	2010 C&D LOCAL REVITALIZATION	LID GUARANTEE	SPECIAL ASSESSMENTS	TOTAL NONMAJOR DEBT SERVICE FUNDS
ASSETS:						
CASH AND CASH EQUIVALENTS	\$ 46,058	\$ 104	\$ 76,401	\$ 64,287	\$ 1,138	\$ 187,988
RECEIVABLES:						
SPECIAL ASSESSMENTS	-	-	-	-	609,281	609,281
TOTAL ASSETS	46,058	104	76,401	64,287	610,419	797,269
LIABILITIES AND FUND BALANCES:						
DEFERRED REVENUE	-	-	-	-	609,281	\$ 609,281
TOTAL LIABILITIES	-	-	-	-	609,281	609,281
FUND BALANCES:						
RESERVED FOR:						
DEBT SERVICE	46,058	104	76,401	-	1,138	123,700
LID GUARANTEE	-	-	-	64,287	-	64,287
TOTAL FUND BALANCES	46,058	104	76,401	64,287	1,138	187,988
TOTAL LIABILITIES AND FUND BALANCES	\$ 46,058	\$ 104	\$ 76,401	\$ 64,287	\$ 610,419	\$ 797,269

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, 2010

	GO LIBRARY REFUNDING BOND DEBT	2010 A&B ANNEX	2010 C&D LOCAL REVITALZATION	L I D GUARANTEE	SPECIAL ASSESSMENTS	TOTAL NONMAJOR DEBT SERVICE FUNDS
REVENUES:						
TAXES:						
RETAIL SALES & USE	\$ -	-	\$ 147,604	\$ -	\$ -	\$ 147,604
SPECIAL ASSESSMENTS	-	-	-	-	43,502	43,502
INTERGOVERNMENTAL	-	223,476	72,114	-	-	295,590
INVESTMENT EARNINGS	448	-	44	187	31,605	32,285
TOTAL REVENUES	448	223,476	219,762	187	75,107	518,981
EXPENDITURES:						
CULTURE AND RECREATION	20,768	-	-	-	-	20,768
DEBT SERVICE						
PRINCIPAL	250,000	260,000	105,000	-	68,391	683,391
INTEREST	92,179	674,172	220,752	-	34,611	1,021,714
TOTAL EXPENDITURES	362,948	934,172	325,752	-	103,003	1,725,874
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	(362,499)	(710,696)	(105,990)	187	(27,896)	(1,206,893)
OTHER FINANCING SOURCES (USES):						
ISSUANCE OF REFUNDING BOND	2,150,000	-	-	-	-	2,150,000
DEBT PREMIUM	156,511	-	-	-	-	156,511
PAYMENT TO ESCROW AGENT - REFUNDED BOND	(2,235,000)	-	-	-	-	(2,235,000)
TRANSFERS IN (Note 5)	299,300	710,800	182,390	65,801	-	1,258,291
TRANSFERS OUT (Note 5)	-	-	-	(54,300)	(65,801)	(120,101)
TOTAL OTHER FINANCING SOURCES (USES)	370,811	710,800	182,390	11,501	(65,801)	1,209,702
NET CHANGE IN FUND BALANCES	8,312	104	76,401	11,688	(93,697)	2,809
FUND BALANCES - BEGINNING	37,746	-	-	52,599	94,834	185,179
FUND BALANCES - ENDING	\$ 46,058	\$ 104	\$ 76,401	\$ 64,287	\$ 1,138	\$ 187,988



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
BALANCE SHEET
CAPITAL PROJECT FUND
 DECEMBER 31, 2010

	MUNICIPAL PARK CONSTRUCTION	LOCAL REVITALIZATION	NONMAJOR CAPITAL PROJECT FUNDS
ASSETS:			
CASH AND CASH EQUIVALENTS	\$ 411,733	\$ 5,687,974	\$ 6,099,707
DUE FROM OTHER GOVERNMENTAL UNITS	360,228	-	360,228
TOTAL ASSETS	771,961	5,687,974	6,459,935
LIABILITIES AND FUND BALANCES:			
CURRENT PAYABLES	424,878	570,377	995,255
TOTAL LIABILITIES	424,878	570,377	995,255
FUND BALANCES:			
UNRESERVED UNDESIGNATED	347,083	5,117,597	5,464,680
TOTAL FUND BALANCES	347,083	5,117,597	5,464,680
TOTAL LIABILITIES AND FUND BALANCES	\$ 771,961	\$ 5,687,974	\$ 6,459,935

CITY OF AUBURN, WASHINGTON
**STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES**
CAPITAL PROJECT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	MUNICIPAL PARK CONSTRUCTION	LOCAL REVITALIZATION	NONMAJOR CAPITAL PROJECTS FUNDS
REVENUES:			
TAXES:			
PROPERTY	\$ 113,492	\$ -	\$ 113,492
INTERGOVERNMENTAL	891,994	-	891,994
CHARGES FOR SERVICES	21,985	-	21,985
INVESTMENT EARNINGS	1,200	13,261	14,462
MISCELLANEOUS	93,001	-	93,001
TOTAL REVENUES	1,121,673	13,261	1,134,935
EXPENDITURES:			
CULTURAL AND RECREATION	75,000	-	75,000
CAPITAL OUTLAY	3,337,954	2,467,873	5,805,827
TOTAL EXPENDITURES	3,412,954	2,467,873	5,880,827
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,291,281)	(2,454,612)	(4,745,892)
OTHER FINANCING SOURCES (USES):			
ISSUANCE OF DEBT	-	7,240,000	7,240,000
DEBT PREMIUM	-	43,708	43,708
INSURANCE RECOVERIES - CAPITAL ASSETS	75,000	-	75,000
TRANSFERS IN (Note 5)	1,911,696	288,500	2,200,196
TRANSFERS OUT (Note 5)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,986,696	7,572,208	9,558,905
NET CHANGE IN FUND BALANCES	(304,584)	5,117,597	4,813,013
FUND BALANCES - BEGINNING	651,667	-	651,667
FUND BALANCES - ENDING	\$ 347,083	\$ 5,117,597	\$ 5,464,680



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, 2010

	CEMETERY ENDOWED CARE
ASSETS:	
CASH AND CASH EQUIVALENTS	
NON-EXPENDABLE TRUST	\$ 1,537,107
TOTAL ASSETS	1,537,107
FUND BALANCES:	
RESERVED FOR:	
ENDOWMENT	1,404,390
UNRESERVED	
UNDESIGNATED	132,717
TOTAL FUND BALANCES	1,537,107
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,537,107

CITY OF AUBURN, WASHINGTON
**STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE**
PERMANENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	CEMETERY ENDOWED CARE
REVENUES:	
INCREASE TO ENDOWMENT FROM LOT SALES	\$ 52,156
INVESTMENT EARNINGS	4,194
TOTAL REVENUES	56,350
EXCESS OF REVENUES OVER EXPENDITURES	56,350
OTHER FINANCING SOURCES (USES):	
TRANSFERS OUT (Note 5)	(25,605)
TOTAL OTHER FINANCING SOURCES (USES)	(25,605)
NET CHANGE IN FUND BALANCE	30,745
FUND BALANCE - BEGINNING	1,506,362
FUND BALANCE - ENDING	\$ 1,537,107



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 three 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.

The Commercial Retail Fund – Accounts for revenues and expenses related to City-owned or leased property that is rented to commercial tenants.

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2010

	AIRPORT	CEMETERY	COMMERCIAL RETAIL	TOTAL NONMAJOR PROPRIETARY FUNDS
ASSETS:				
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 1,083,627	\$ 159,839	\$ -	\$ 1,243,466
RESTRICTED CASH:				
CUSTOMER DEPOSITS	69,413	-	-	69,413
CUSTOMER ACCOUNTS	3,910	-	-	3,910
INVENTORIES	-	7,759	-	7,759
TOTAL CURRENT ASSETS	1,156,949	167,598	-	1,324,547
NONCURRENT ASSETS:				
LONG-TERM CONTRACTS AND NOTES	-	4,645	-	4,645
CAPITAL ASSETS:				
LAND	3,653,343	342,836	-	3,996,179
BUILDINGS AND EQUIPMENT	2,555,195	1,038,622	-	3,593,817
IMPROVEMENTS OTHER THAN BUILDINGS	8,219,629	1,082,094	-	9,301,723
CONSTRUCTION IN PROGRESS	15,100	-	-	15,100
LESS: ACCUMULATED DEPRECIATION	(4,613,801)	(1,199,443)	-	(5,813,244)
TOTAL CAPITAL ASSETS (NET OF A/D)	9,829,465	1,264,108	-	11,093,574
TOTAL NONCURRENT ASSETS	9,829,465	1,268,753	-	11,098,219
TOTAL ASSETS	10,986,414	1,436,352	-	12,422,766
LIABILITIES:				
CURRENT LIABILITIES:				
CURRENT PAYABLES	18,527	43,469	-	61,996
EMPLOYEE LEAVE BENEFITS-CURRENT	1,870	16,140	-	18,010
GENERAL OBLIGATION BONDS PAYABLE-CURRENT	100,000	-	-	100,000
CUSTOMER DEPOSITS	69,413	-	-	69,413
TOTAL CURRENT LIABILITIES	189,810	59,609	-	249,419
NONCURRENT LIABILITIES:				
DEFERRED REVENUE	-	4,645	-	4,645
EMPLOYEE LEAVE BENEFITS	977	8,439	-	9,416
GENERAL OBLIGATION BONDS PAYABLE	1,090,310	497,878	-	1,588,188
TOTAL NONCURRENT LIABILITIES	1,091,287	510,962	-	1,602,249
TOTAL LIABILITIES	1,281,096	570,571	-	1,851,668
NET ASSETS:				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	8,639,155	766,230	-	9,405,386
RESTRICTED FOR:				
UNRESTRICTED	1,066,162	99,550	-	1,165,712
TOTAL NET ASSETS	\$ 9,705,318	\$ 865,780	\$ -	\$ 10,571,098

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, 2010

	AIRPORT	CEMETERY	COMMERCIAL RETAIL	TOTAL NONMAJOR ENTERPRISE FUNDS
OPERATING REVENUES:				
CHARGES FOR SERVICES	\$ 26,683	\$ 708,190	-	\$ 734,873
INTEREST	-	1,381	-	1,381
OTHER OPERATING REVENUE	618,920	-	-	618,920
TOTAL OPERATING REVENUES	645,603	709,571	-	1,355,175
OPERATING EXPENSES:				
OPERATIONS & MAINTENANCE	-	624,621	-	624,621
ADMINISTRATION	480,733	270,678	-	751,411
DEPRECIATION/AMORTIZATION	216,961	57,199	33,328	307,487
OTHER OPERATING EXPENSES	180	10,112	-	10,292
TOTAL OPERATING EXPENSES	697,875	962,609	33,328	1,693,812
OPERATING INCOME (LOSS)	(52,271)	(253,038)	(33,328)	(338,637)
NON-OPERATING REVENUE (EXPENSE):				
INTEREST REVENUE	3,438	625	-	4,063
OTHER NON-OPERATING REVENUES	132,117	287	-	132,404
INTEREST EXPENSE	(65,618)	(21,773)	-	(87,392)
TOTAL NON-OPERATING REVENUE (EXPENSE)	69,936	(20,861)	-	49,075
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	17,665	(273,899)	(33,328)	(289,562)
TRANSFERS IN (Note 5)	-	25,605	-	25,605
TRANSFERS OUT (Note 5)	-	-	(1,440,613)	(1,440,613)
CHANGE IN NET ASSETS	17,665	(248,294)	(1,473,941)	(1,704,570)
TOTAL NET ASSETS BEGINNING OF YEAR	9,687,653	1,114,074	1,473,941	12,275,668
TOTAL NET ASSETS END OF YEAR	\$ 9,705,318	\$ 865,780	\$ -	\$ 10,571,098

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	AIRPORT	CEMETERY	COMMERCIAL RETAIL	TOTAL NONMAJOR ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
CASH RECEIVED FROM USERS	\$ 645,128	\$ 708,190	\$ -	\$ 1,353,317
CASH PAID TO SUPPLIERS	(465,586)	(258,224)	-	(723,810)
CASH PAID FOR TAXES	(180)	(10,112)	-	(10,292)
CASH PAID FOR INVENTORY	-	3,636	-	3,636
CASH PAID TO EMPLOYEES	(23,103)	(626,952)	-	(650,055)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	156,258	(182,081)	-	(25,822)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
TRANSFERS FROM OTHER FUNDS	-	25,605	-	25,605
OPERATING TRANSFERS OUT	-	-	(1,440,613)	(1,440,613)
NET CASH PROVIDED (USED) BY NON- CAPITAL FINANCING ACTIVITIES	-	25,605	(1,440,613)	(1,415,008)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
PROCEEDS FROM SALE OF EQUIPMENT	-	-	790,336	790,336
PURCHASE OF CAPITAL ASSETS	(111,757)	(3,833)	-	(115,590)
PROCEEDS FROM OTHER GOVERNMENTS	132,117	-	-	132,117
PREMIUM & BOND ISSUANCE COSTS	-	-	-	-
PRINCIPAL PAYMENT ON DEBT	(85,000)	-	-	(85,000)
INTEREST PAYMENT ON DEBT	(57,875)	(22,268)	-	(80,143)
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(122,515)	(26,100)	790,336	641,720
CASH FLOW FROM INVESTING ACTIVITIES:				
INTEREST RECEIVED	3,438	913	-	4,350
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	3,438	913	-	4,350
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,180	(181,663)	(650,277)	(794,760)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	1,115,859	341,502	650,277	2,107,639
CASH AND CASH EQUIVALENTS-END OF YEAR	1,153,040	159,839	-	1,312,879
CASH AT END OF YEAR CONSISTS OF:				
CASH AND CASH EQUIVALENTS	1,083,627	159,839	-	1,243,466
RESTRICTED CASH-CUSTOMER DEPOSITS	69,413	-	-	69,413
TOTAL CASH	\$ 1,153,039	\$ 159,839	\$ -	\$ 1,312,879

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

	AIRPORT	CEMETERY	COMMERCIAL RETAIL	TOTAL NONMAJOR ENTERPRISE FUNDS
RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ (52,271)	\$ (253,038)	\$ (33,328)	\$ (338,637)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	216,961	57,199	33,328	307,487
INVENTORY	-	3,636	-	3,636
LIABILITY INCREASES (DECREASES) :				
ACCOUNTS & VOUCHERS PAYABLE	(8,461)	829	-	(7,631)
DEPOSITS PAYABLE	(475)	-	-	(475)
WAGES & BENEFITS PAYABLE	49	6,241	-	6,290
COMPENSATED ABSENCES PAYABLE	456	3,053	-	3,509
TOTAL ADJUSTMENTS	208,529	70,958	33,328	312,815
	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 156,258	\$ (182,081)	\$ -	\$ (25,822)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
CAPITAL ASSETS ACQUIRED BY CONTRIBUTED CAPITAL	\$ -	\$ -	\$ -	\$ -
INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENT	-	-	-	-
TOTAL NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	\$ -	\$ -	\$ -	\$ -



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 three 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 FUND NET ASSETS
INTERNAL SERVICE FUNDS
 DECEMBER 31, 2010

	INSURANCE	FACILITIES	INFORMATION SERVICES	EQUIPMENT RENTAL	TOTAL
ASSETS:					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 2,367,322	\$ 946,933	\$ 4,293,039	\$ 5,940,041	\$ 13,547,334
CUSTOMER ACCOUNTS	-	47,260	-	-	47,260
DUE FROM OTHER GOVERNMENTAL UNITS	-	5,956	2,024	26,155	34,136
INVENTORIES	-	-	-	133,293	133,293
TOTAL CURRENT ASSETS	2,367,322	1,000,149	4,295,063	6,099,489	13,762,022
NONCURRENT ASSETS:					
CAPITAL ASSETS:					
BUILDINGS AND EQUIPMENT	-	-	3,858,411	11,601,131	15,459,542
IMPROVEMENTS OTHER THAN BUILDINGS	-	-	-	46,591	46,591
LESS: ACCUMULATED DEPRECIATION	-	-	(2,813,368)	(6,818,291)	(9,631,659)
TOTAL CAPITAL ASSETS (NET OF A/D)	-	-	1,045,043	4,829,431	5,874,475
TOTAL NONCURRENT ASSETS	-	-	1,045,043	4,829,431	5,874,475
TOTAL ASSETS	2,367,322	1,000,149	5,340,106	10,928,920	19,636,497
LIABILITIES:					
CURRENT LIABILITIES:					
CURRENT PAYABLES	490	285,205	345,270	273,294	904,258
CUSTOMER DEPOSITS	-	5,025	-	-	5,025
EMPLOYEE LEAVE BENEFITS-CURRENT	-	31,673	49,851	28,670	110,194
TOTAL CURRENT LIABILITIES	490	321,903	395,121	301,964	1,019,477
NONCURRENT LIABILITIES:					
EMPLOYEE LEAVE BENEFITS	-	16,560	26,063	14,989	57,612
TOTAL NONCURRENT LIABILITIES	-	16,560	26,063	14,989	57,612
TOTAL LIABILITIES	490	338,463	421,184	316,953	1,077,089
NET ASSETS:					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED	-	-	1,045,043	4,829,431	5,874,475
UNRESTRICTED	2,366,832	661,686	3,873,879	5,782,536	12,684,933
TOTAL NET ASSETS	\$ 2,366,832	\$ 661,686	\$ 4,918,922	\$ 10,611,968	\$ 18,559,408

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	INSURANCE	FACILITIES	INFORMATION SERVICES	EQUIPMENT RENTAL	TOTAL
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ -	\$ 2,977,544	\$ 3,902,076	\$ 2,474,194	\$ 9,353,814
OTHER OPERATING REVENUE	-	133,617	24,814	-	158,431
TOTAL OPERATING REVENUES	-	3,111,161	3,926,890	2,474,194	9,512,245
OPERATING EXPENSES:					
OPERATIONS & MAINTENANCE	-	2,208,984	3,503,016	1,316,220	7,028,219
ADMINISTRATION	70,177	-	-	548,316	618,493
DEPRECIATION/AMORTIZATION	-	-	460,012	991,570	1,451,582
TOTAL OPERATING EXPENSES	70,177	2,208,984	3,963,027	2,856,105	9,098,293
OPERATING INCOME (LOSS)	(70,177)	902,177	(36,137)	(381,911)	413,951
NON-OPERATING REVENUE (EXPENSE):					
INTEREST REVENUE	5,040	1,872	11,453	15,236	33,601
OTHER NON-OPERATING REVENUES	-	-	40,341	2,015	42,356
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	-	-	9,755	9,755
TOTAL NON-OPERATING REVENUE (EXPENSE)	5,040	1,872	51,794	27,006	85,712
INCOME (LOSS) BEFORE CONTRIBUTIONS	(65,137)	904,049	15,656	(354,905)	499,663
CAPITAL CONTRIBUTIONS	-	-	10,950	96,164	107,114
TRANSFERS IN (Note 5)	197,500	-	-	-	197,500
TRANSFERS OUT (Note 5)	-	(450,000)	(22,530)	(22,230)	(494,760)
CHANGE IN NET ASSETS	132,363	454,049	4,076	(280,971)	309,517
TOTAL NET ASSETS BEGINNING OF YEAR	2,234,469	207,637	4,914,846	10,892,939	18,249,891
TOTAL NET ASSETS END OF YEAR	\$ 2,366,832	\$ 661,686	\$ 4,918,922	\$ 10,611,968	\$ 18,559,408

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Page 1 of 2

	INSURANCE	FACILITIES	INFORMATION SERVICES	EQUIPMENT RENTAL	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM USERS	\$ -	\$ 3,069,711	\$ 3,943,007	\$ 2,474,194	\$ 9,486,912
CASH PAID TO SUPPLIERS	(65,693)	(1,213,788)	(1,850,152)	(1,284,657)	(4,414,290)
CASH PAID FOR TAXES	(3,994)	-	-	-	(3,994)
CASH PAID FOR INVENTORY	-	-	-	(21,431)	(21,431)
CASH PAID TO EMPLOYEES	-	(825,543)	(1,612,992)	(460,594)	(2,899,128)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(69,688)	1,030,380	479,863	707,513	2,148,068
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
TRANSFERS IN	197,500	-	-	-	197,500
TRANSFERS OUT	-	(450,000)	(22,530)	(22,230)	(494,760)
NET CASH PROVIDED (USED) BY NON- CAPITAL FINANCING ACTIVITIES	197,500	(450,000)	(22,530)	(22,230)	(297,260)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
PROCEEDS FROM SALE OF EQUIPMENT	-	-	-	77,734	77,734
PURCHASE OF CAPITAL ASSETS	-	-	(422,923)	(160,007)	(582,929)
PROCEEDS FROM INSURANCE SETTLEMENT	-	-	-	1,743	1,743
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(382,582)	(80,530)	(463,112)
CASH FLOW FROM INVESTING ACTIVITIES:					
INTEREST RECEIVED	5,040	1,872	11,453	15,236	33,601
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	5,040	1,872	11,453	15,236	33,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	132,853	582,252	86,204	619,988	1,421,296
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	2,234,469	364,681	4,206,834	5,320,053	12,126,038
CASH AND CASH EQUIVALENTS-END OF YEAR	2,367,322	946,933	4,293,038	5,940,041	13,547,334
CASH AT END OF YEAR CONSISTS OF:					
CASH AND CASH EQUIVALENTS	2,367,322	946,933	4,293,038	5,940,041	13,547,334
TOTAL CASH	\$ 2,367,322	\$ 946,933	\$ 4,293,038	\$ 5,940,041	\$ 13,547,334

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Page 2 of 2

	INSURANCE	FACILITIES	INFORMATION SERVICES	EQUIPMENT RENTAL	TOTAL
RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES					
OPERATING INCOME (LOSS)	\$ (70,177)	\$ 902,177	\$ (36,137)	\$ (381,911)	\$ 413,951
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	-	-	460,012	991,570	1,451,582
ASSET (INCREASES) DECREASES :					
ACCOUNTS RECEIVABLE	-	(44,314)	16,117	(19,006)	(47,203)
INVENTORY	-	-	-	(21,431)	(21,431)
LIABILITY INCREASES (DECREASES) :					
ACCOUNTS & VOUCHERS PAYABLE	489	117,751	25,994	135,126	279,360
WAGES & BENEFITS PAYABLE	-	42,110	(6,442)	(8,967)	26,701
DEPOSITS PAYABLE	-	(700)	-	-	(700)
COMPENSATED ABSENCES PAYABLE	-	13,356	20,320	12,132	45,808
TOTAL ADJUSTMENTS	489	128,203	516,000	1,089,424	1,734,116
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (69,688)</u>	<u>\$ 1,030,380</u>	<u>\$ 479,863</u>	<u>\$ 707,513</u>	<u>\$ 2,148,068</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
CAPITAL ASSETS ACQUIRED BY CONTRIBUTED CAPITAL	\$ -	\$ -	\$ 10,950	\$ 96,164	\$ 107,114
TOTAL NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,950</u>	<u>\$ 96,164</u>	<u>\$ 107,114</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, 2010

	BALANCE 1/1/2010	ADDITIONS	DEDUCTIONS	BALANCE 12/31/2010
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 1,679,840	\$ 3,556,322	\$ 3,836,093	\$ 1,400,069
OTHER CURRENT ASSETS	2,621	208,777	204,816	6,582
DUE FROM OTHER GOVERNMENTAL UNITS	-	70,884	-	70,884
TOTAL ASSETS	<u>1,682,461</u>	<u>3,835,983</u>	<u>4,040,909</u>	<u>1,477,535</u>
LIABILITIES:				
DUE TO OTHER GOVERNMENTAL UNITS	1,682,461	5,441,772	5,646,698	1,477,535
TOTAL LIABILITIES	<u>\$ 1,682,461</u>	<u>\$ 5,441,772</u>	<u>\$ 5,646,698</u>	<u>\$ 1,477,535</u>

City of Auburn
STATISTICAL SECTION

December 31, 2010

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.

Schedule 1	Net assets by component.....	148
Schedule 2	Changes in net assets.....	149
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Schedule 4	Changes in fund balances, government funds.....	151
Schedule 5	Tax revenues by source, government funds.....	152

Revenue Capacity Information

The objective of providing revenue capacity information is to help users understand and assess the factors affecting the City's ability to generate its most significant local source revenues.

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Schedule 8	Property tax levies and collections.....	156
Schedule 9	Principal taxpayers-property taxes.....	157
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Debt Capacity Information

Debt capacity information is intended to assist users to understand and assess the City's current levels of outstanding debt and ability to issue additional debt in the future.

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Schedule 14	Computation of net direct and estimated overlapping debt.....	161
Schedule 15	Ratios of net general bonded debt to assessed value	162
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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.

Schedule 17	Population, income and housing trends.....	164
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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 EIGHT FISCAL YEARS ⁽¹⁾
 (ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
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
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
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
Total governmental activities net assets	219,988,976	226,027,225	241,658,877	251,801,562	263,904,363	358,485,448	371,188,427	382,421,532
Business-type activities:								
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
Restricted	1,919,515	1,969,809	2,238,611	6,987,485	1,227,395	933,914	2,071,219	4,107,128
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
Total business-type activities net assets	135,922,186	140,602,553	149,889,460	157,946,154	172,397,819	181,419,899	182,238,880	185,093,449
Primary government:								
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
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
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
Total primary government net assets	\$ 355,911,162	\$ 366,629,778	\$ 391,548,337	\$ 409,747,716	\$ 436,302,182	\$ 539,905,347	\$ 553,427,307	\$ 567,514,981

(1) Information available for 2003-2010 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 EIGHT FISCAL YEARS ⁽¹⁾
 (ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
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
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
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
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
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
Economic environment	1,379,552	2,866,473	1,919,780	1,848,988	2,400,031	2,608,900	3,000,257	2,499,631
Health and human services	639,678	597,423	602,726	763,156	416,456	776,224	527,029	578,247
Interest on long-term debt	322,653	362,051	188,945	203,180	163,916	226,651	408,471	1,809,322
Total governmental activities expenses	41,380,888	49,742,140	51,534,459	54,850,008	61,459,294	62,173,895	59,538,478	60,508,335
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
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
Storm drainage	2,955,179	3,169,350	3,354,899	3,852,335	4,224,881	5,226,823	7,275,072	6,994,331
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
Golf course	874,809	973,110	1,032,733	1,020,070	1,576,126	1,958,703	1,909,758	1,844,108
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
Total business-type activities expenses	30,932,812	32,533,692	34,110,630	35,953,099	39,752,824	42,732,085	47,410,702	48,351,960
Total primary government expenses	\$ 72,313,700	\$ 82,275,832	\$ 85,645,089	\$ 90,803,107	\$ 101,212,118	\$ 104,905,980	\$ 106,949,180	\$ 108,860,294
Program revenues								
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
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
Transportation	570,100	447,036	1,052,110	631,340	1,930,504	1,272,751	1,587,850	960,532
Physical Environment	237,772	365,681	244,766	436,503	576,539	257,780	147,996	86,306
Culture and Recreation	597,300	654,417	726,753	881,318	1,245,122	917,544	1,048,390	962,558
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
Health and human services	-	-	-	-	-	-	989	449
Total charges for services	5,208,418	6,893,064	7,965,484	7,875,376	10,049,930	9,077,556	8,108,542	7,849,758
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
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
Total governmental activities program revenues	19,505,151	14,264,608	21,573,638	15,764,050	22,187,013	106,550,907	23,915,992	21,574,725
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
Operating grants and contributions	33,384	33,384	54,999	47,961	43,263	55,024	87,454	70,841
Capital grants and contributions	6,985,742	4,351,278	7,857,856	3,988,202	12,479,500	10,670,660	1,992,259	7,391,111
Total business-type activities program revenues	38,252,617	36,131,728	40,571,295	40,262,487	51,306,890	50,609,070	44,417,792	50,923,694
Total primary government program revenues	57,757,768	50,396,336	62,144,933	56,026,537	73,493,903	157,159,977	68,333,784	72,498,419
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)
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
Total primary government net expense	\$ (14,555,932)	\$ (31,879,496)	\$ (23,500,156)	\$ (34,776,570)	\$ (27,718,215)	\$ 52,253,997	\$ (38,615,396)	\$ (36,361,876)
General revenues and other changes in net assets								
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
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
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
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
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
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
Investment earnings	769,239	708,259	1,465,102	2,454,694	2,993,174	1,589,837	570,798	379,316
Miscellaneous	96,168	192,469	564,416	69,037	(406,847)	2,751,495	67,223	214,190
Transfers	(1,225,054)	627,000	194,286	(570,588)	(371,660)	427,740	170,605	1,463,444
Total governmental activities	37,074,347	41,345,321	45,592,473	49,228,643	51,375,082	50,204,073	48,325,465	50,166,715
Business-type activities:								
Investment earnings	306,862	421,803	895,870	1,574,444	2,098,417	1,242,363	312,618	158,211
Miscellaneous	545,087	1,287,528	2,124,658	1,602,274	427,522	330,472	3,669,878	1,588,068
Transfers	1,225,054	(627,000)	(194,286)	570,588	371,660	(427,740)	(170,605)	(1,463,444)
Total business-type activities:	2,077,003	1,082,331	2,826,242	3,747,306	2,897,599	1,145,095	3,811,891	282,835
Total primary government	\$ 39,151,350	\$ 42,427,652	\$ 48,418,715	\$ 52,975,949	\$ 54,272,681	\$ 51,349,168	\$ 52,137,356	\$ 50,449,550
Change in net assets								
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
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
Total primary government	\$ 24,595,418	\$ 10,548,156	\$ 24,918,559	\$ 18,199,379	\$ 26,554,466	\$ 103,603,165	\$ 13,521,960	\$ 14,087,674

(1) Information available for 2003-2010 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 EIGHT FISCAL YEARS ⁽¹⁾
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010
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
Total general fund	18,496,495	20,702,250	15,938,825	14,448,328	14,462,720	13,071,091	13,237,851	15,382,354
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
Total all other governmental funds	\$ 25,073,882	\$ 25,956,878	\$ 23,686,735	\$ 27,031,176	\$ 24,670,008	\$ 29,105,363	\$ 27,297,959	\$ 29,801,617

(1) Information available for 2003-2010 only due to new accounting and reporting standards beginning 2003 with GASB Statement No. 34.

Source: City of Auburn, Finance Department

CITY OF AUBURN, WASHINGTON
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENT FUNDS
 LAST EIGHT FISCAL YEARS ⁽¹⁾
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
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
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
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
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
Fines and forfeits	836,244	845,721	777,241	1,054,201	2,155,120	2,059,771	1,911,034	2,472,411
Special assessments	177,588	127,976	153,627	75,574	52,291	57,402	107,597	43,502
Investment earnings	300,213	336,442	1,175,258	1,477,368	2,456,291	1,363,375	484,696	386,890
Miscellaneous	1,102,089	2,452,468	1,247,252	1,865,079	877,473	1,296,349	1,142,428	3,023,589
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
Expenditures								
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
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
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
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
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
Health and human services	639,678	597,423	602,726	763,156	416,456	776,224	527,029	568,911
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
Capital outlay ⁽²⁾	3,357,827	12,100,966	507,484	3,822,895	7,346,316	4,778,334	30,338,508	8,486,382
Debt service:								
Principal	1,162,465	1,018,355	10,582,246	420,631	435,093	456,655	479,661	26,683,671
Interest / other	333,439	248,005	315,960	247,551	203,266	264,997	296,241	1,775,746
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
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)
Other financing sources (uses)								
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
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)
Capital leases	-	10,350,000	-	-	695,504	17,728	24,549,186	-
Insurance recoveries	-	-	-	-	-	-	114,607	200,642
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	-
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
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
Debt service as a percentage of noncapital expenditures	3.52%	2.62%	17.24%	1.21%	1.05%	1.28%	1.35%	34.21%

(1) Information available for 2003-2010 only due to new accounting and reporting standards beginning 2003 with GASB Statement No. 34.

(2) Capital outlay of \$8,486,382 for 2010 is for Governmental Funds only. Proprietary Funds capital outlay was \$7,303,848 for total capital outlay of \$15,790,230 as reported on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

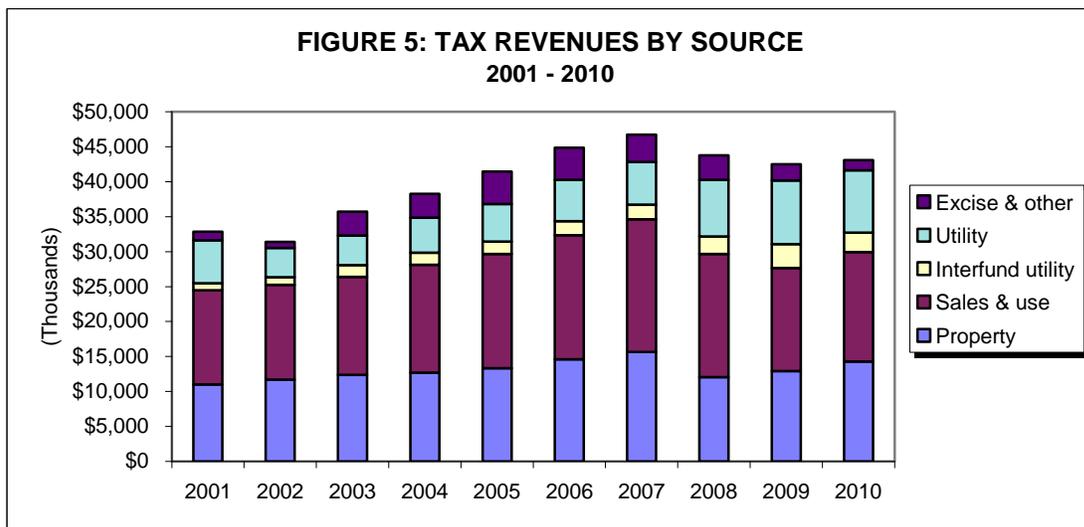
Source: City of Auburn, Finance Department

**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
2001	\$ 11,016,263	\$ 13,467,184	\$ 1,016,366	\$ 6,143,060	\$ 1,172,417	\$ 44,660	\$ 32,859,950
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

Change
 2001-2010 29.7% 16.3% 174.3% 44.7% 18.5% 46.1% 31.1%

Fiscal years 2001-2002 include tax revenues collected in the general and special revenue funds.
 Fiscal years 2003-2010 include all governmental funds.

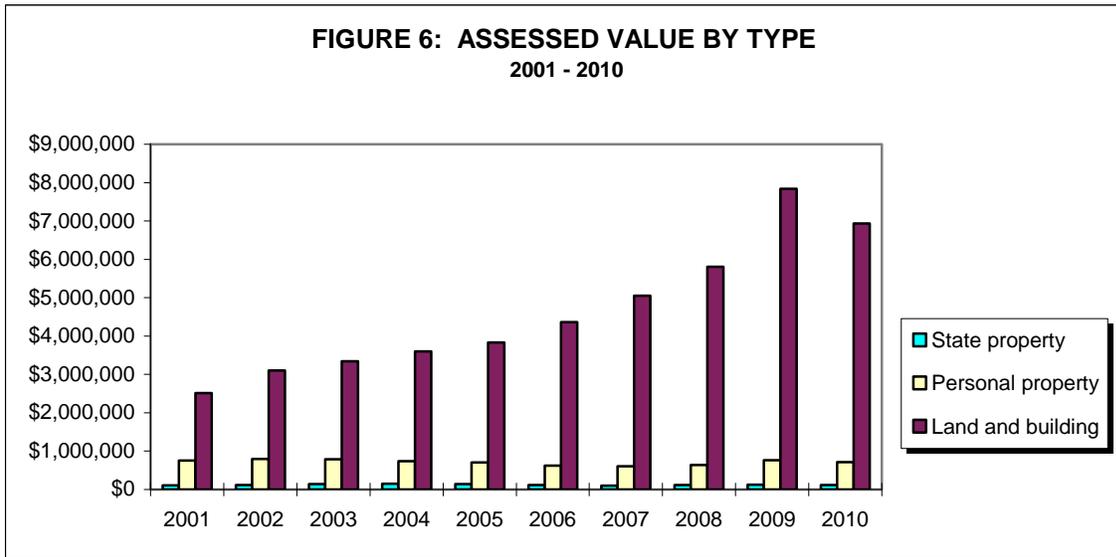


**CITY OF AUBURN, WASHINGTON
SCHEDULE 6
ASSESSED VALUE BY TYPE
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)**

Fiscal Year	State Property and Other	Personal Property	Land and Building	Total Assessed Value	Total Direct Rate
2001	\$ 104,117	\$ 751,709	\$ 2,510,519	\$ 3,366,345	2.93
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

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

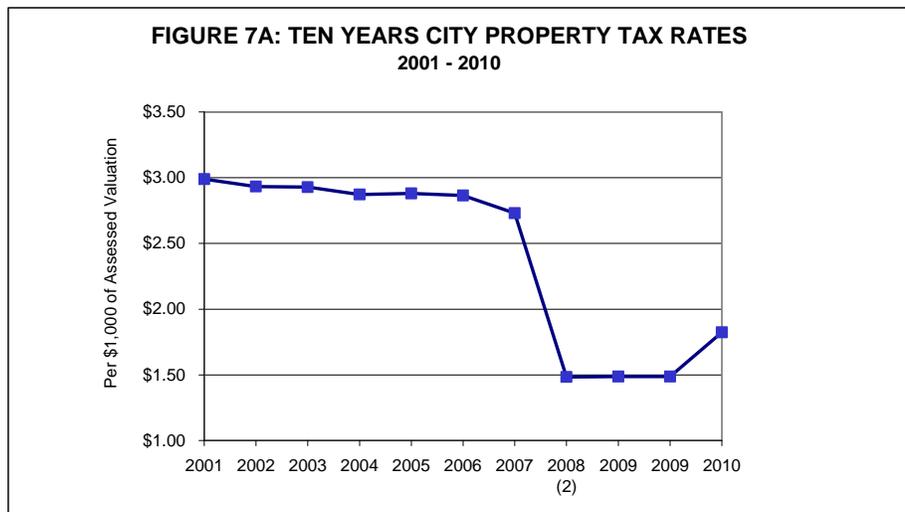


**CITY OF AUBURN, WASHINGTON
SCHEDULE 7
PROPERTY TAX DATA
LAST TEN FISCAL YEARS**

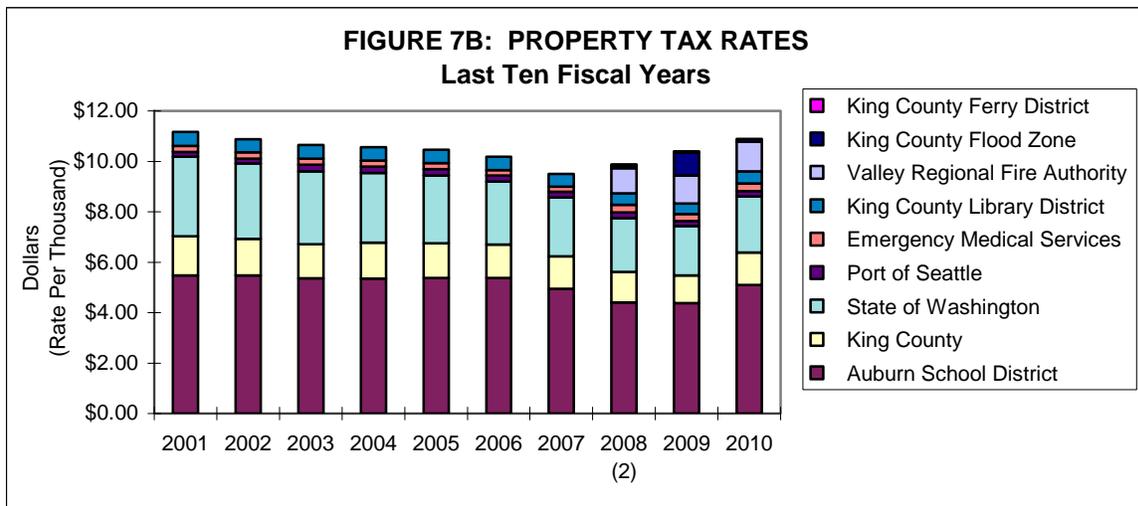
Item	2001	2002	2003	2004
Assessed and estimated actual values ⁽¹⁾				
Estimated and actual value (in thousands)	\$ 3,366,345	\$ 4,019,872	\$ 4,271,824	\$ 4,492,179
Assessed value (in thousands)	3,366,345	4,019,872	4,271,824	4,492,179
Ratio of assessed to actual	100%	100%	100%	100%
Property tax rates ⁽¹⁾				
Direct regular and special				
General fund	\$ 2.98932	\$ 2.93353	\$ 2.92857	\$ 2.87319
Debt service funds	-	-	-	-
Subtotal	<u>\$ 2.98932</u>	<u>\$ 2.93353</u>	<u>\$ 2.92857</u>	<u>\$ 2.87319</u>
Overlapping regular and special ⁽¹⁾				
Auburn School District	\$ 5.47999	\$ 5.47810	\$ 5.35720	\$ 5.34914
King County	1.55218	1.44949	1.34948	1.43146
State of Washington	3.14502	2.98946	2.89680	2.75678
Port of Seattle	0.19029	0.18956	0.25895	0.25402
Emergency Medical Services	0.24624	0.25000	0.24143	0.23717
King County Library District	0.55737	0.52581	0.54568	0.53653
Valley Regional Fire Authority	-	-	-	-
King County Flood Zone	-	-	-	-
King County Ferry District	-	-	-	-
Subtotal	<u>11.17109</u>	<u>10.88242</u>	<u>10.64954</u>	<u>10.56510</u>
Total direct and overlapping	<u><u>\$ 14.16041</u></u>	<u><u>\$ 13.81595</u></u>	<u><u>\$ 13.57811</u></u>	<u><u>\$ 13.43829</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.



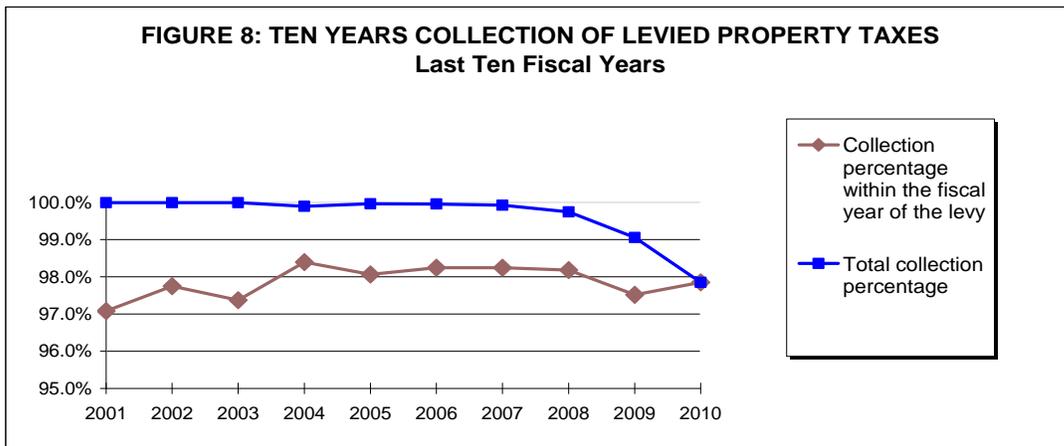
2005	2006	2007	2008 ⁽²⁾	2009	2010
\$ 4,676,301	\$ 5,099,469	\$ 5,765,028	\$ 6,556,690	\$ 8,723,864	\$ 7,765,878
4,676,301	5,099,469	5,765,028	6,556,690	8,723,864	7,765,878
100%	100%	100%	100%	100%	100%
\$ 2.88000	\$ 2.86520	\$ 2.73076	\$ 1.48385	\$ 1.48678	\$ 1.82336
-	-	-	-	-	-
\$ 2.88000	\$ 2.86520	\$ 2.73076	\$ 1.48385	\$ 1.48678	\$ 1.82336
\$ 5.37195	\$ 5.37383	\$ 4.94903	\$ 4.40970	\$ 4.37709	\$ 5.09382
1.38229	1.32869	1.28956	1.20770	1.09772	1.28499
2.68951	2.49787	2.32535	2.13233	1.96268	2.22253
0.25321	0.23330	0.23158	0.22359	0.19700	0.21597
0.23182	0.21982	0.20621	0.30000	0.27404	0.30000
0.53255	0.53424	0.50027	0.45336	0.41736	0.48526
-	-	-	1.00000	1.10995	1.17910
-	-	-	0.10000	0.91230	0.10514
-	-	-	0.05500	0.05018	0.00348
10.46133	10.18775	9.50200	9.88168	10.39832	10.89029
\$ 13.34133	\$ 13.05295	\$ 12.23276	\$ 11.36553	\$ 11.88510	\$ 12.71365



**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		Amount	% of Levy	
King County:								
2001	\$ 11,133,756		\$ 10,814,089	97.1%	319,335	\$ 11,133,424	100.0%	\$ 332
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%	-	12,459,564	97.9%	262,094
								<u>420,806</u>
Pierce County:								
2001	\$ 114,323	\$	105,707	92.5%	\$ 8,616	\$ 114,323	100.0%	\$ -
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%	-	1,451,377	97.1%	43,554
								<u>72,427</u>
								<u><u>493,234</u></u>

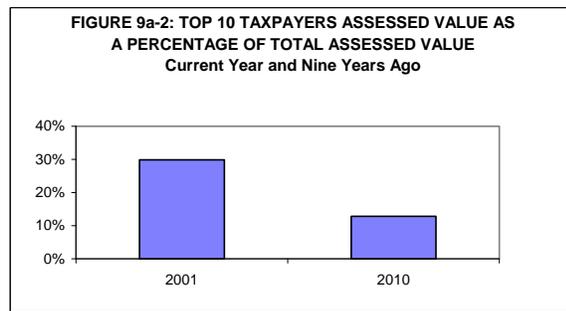
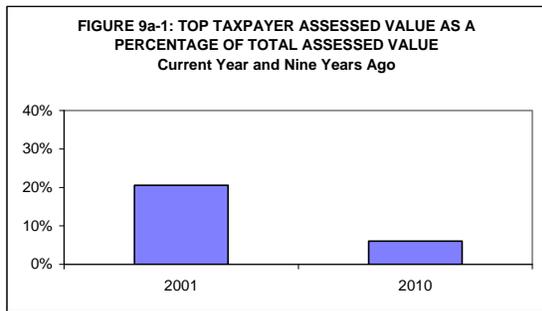
Source: King County Finance and Business Operations Division
Pierce County Budget and Finance Department



**CITY OF AUBURN, WASHINGTON
SCHEDULE 9a
PRINCIPAL TAXPAYERS-PROPERTY TAXES
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2010			2001		
	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	6.04%	\$ 692,360,854	1	20.57%
Glimcher Realty Trust (Supermall)	109,755,583	2	1.41%	95,867,284	2	2.85%
Safeway	86,736,849	3	1.12%	-	-	-
Universal Health	65,886,195	4	0.85%	26,936,555	5	0.80%
Puget Sound Energy	64,805,982	5	0.83%	46,927,740	4	1.39%
Belara Communities LLC	51,114,300	6	0.66%	-	-	-
Muckleshoot Indian Tribe	55,123,700	7	0.71%	-	-	-
Park 277 (formerly EPropertyTax Inc.)	33,672,100	8	0.43%	-	-	-
UPS Supply Chain Solutions	31,155,543	9	0.40%	-	-	-
Wal-Mart Store	30,032,484	10	0.39%	-	-	-
La Terra Limited Partnership	-	-	-	48,493,500	3	1.44%
Quadrant Corporation	-	-	-	23,619,800	6	0.70%
Fritz Companies	-	-	-	22,800,000	8	0.68%
U.S. West Communications	-	-	-	23,542,488	7	0.70%
Roundup Co. (Fred Meyer)	-	-	-	11,934,514	10	0.35%
West Valley 29 Partners	-	-	-	12,541,700	9	0.37%
TOTALS	\$ 997,681,407		12.85%	\$ 1,005,024,435		29.86%

Source: King County and Pierce County Departments of Assessments
 Total assessed value for 2010: \$ 7,765,878,000
 Total assessed value for 2001: \$ 3,366,345,000



**CITY OF AUBURN, WASHINGTON
SCHEDULE 9b
PRINCIPAL TAXPAYERS-SALES TAXES
CURRENT YEAR AND NINE YEARS AGO**

2010				2001			
Sales Tax Received	Sector ⁽¹⁾	Rank	Percentage of Total City Sales Taxes Received	Sales Tax Received	Sector ⁽¹⁾	Rank	Percentage of Total City Sales Taxes Received
\$ 364,401	Automotive	1	3.3%	NOT AVAILABLE			
277,037	Manufacturing	2	2.5%				
269,958	Automotive	3	2.4%				
256,232	Automotive	4	2.3%				
241,986	Automotive	5	2.2%				
217,191	General retail	6	1.9%				
210,535	General retail	7	1.9%				
209,377	Automotive	8	1.9%				
202,535	Automotive	9	1.8%				
190,954	Automotive	10	1.7%				
\$ 2,440,206			21.8%				

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)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
RETAIL TRADE SECTOR										
Automotive/gas	\$ 2,607	\$ 2,827	\$ 2,862	\$ 2,893	\$ 3,326	\$ 3,428	\$ 3,643	\$ 3,255	\$ 2,559	\$ 2,553
Furniture	306	276	318	438	218	263	268	241	220	194
Electronics & appliances	-	-	-	-	451	288	262	242	132	121
Building materials	314	371	412	479	488	594	615	521	358	389
Food stores	538	526	401	395	358	346	378	360	352	354
Health & personal care	-	-	-	-	120	130	143	152	150	144
Apparel	624	646	649	765	836	874	899	873	781	752
General merchandise	468	646	909	990	970	941	974	872	833	801
Food/Drink	566	560	596	651	-	-	-	-	-	-
Misc retail trade	1,228	1,017	864	905	724	939	1,334	1,234	755	834
	6,651	6,869	7,011	7,515	7,491	7,803	8,516	7,750	6,140	6,142
SERVICE SECTOR										
Information	-	-	-	-	506	507	531	489	457	979
Finance & insurance	-	-	-	-	86	84	85	85	83	68
Real estate, rental, leasing	-	-	-	-	294	311	330	394	304	288
Professional, scientific, technical	-	-	-	-	119	116	162	146	200	191
Administrative, supply & remediation Services	-	-	-	-	197	195	301	261	261	239
Educational	-	-	-	-	81	81	87	91	42	56
Healthcare & social services	-	-	-	-	45	33	88	98	61	37
Arts & entertainment	-	-	-	-	104	126	172	171	147	154
Accommodation & food service	-	-	-	-	764	833	870	915	827	806
Other services	-	-	-	-	477	492	502	457	485	493
	-	-	-	-	2,673	2,779	3,128	3,107	2,867	3,310
OTHER SECTORS:										
Services *	1,162	1,154	1,182	1,152	-	-	-	-	-	-
Construction	1,472	1,448	1,514	2,402	2,008	2,453	2,240	1,647	1,368	1,322
Manufacturing	368	607	882	793	414	486	625	643	383	411
Transportation	459	426	400	401	31	26	22	76	31	29
Wholesaling	2,184	1,676	1,674	1,795	2,313	2,571	2,943	2,306	1,073	1,180
Banking	89	110	98	127	-	-	-	-	-	-
Other business	102	126	121	108	73	72	143	72	47	128
Subtotal - other sectors	5,836	5,547	5,871	6,779	4,839	5,607	5,973	4,744	2,902	3,071
GRAND TOTAL	\$ 12,487	\$ 12,416	\$ 12,882	\$ 14,294	\$ 15,003	\$ 16,189	\$ 17,617	\$ 15,601	\$ 11,909	\$ 12,523

OVERLAPPING SALES TAX RATES

Basic sales tax rates

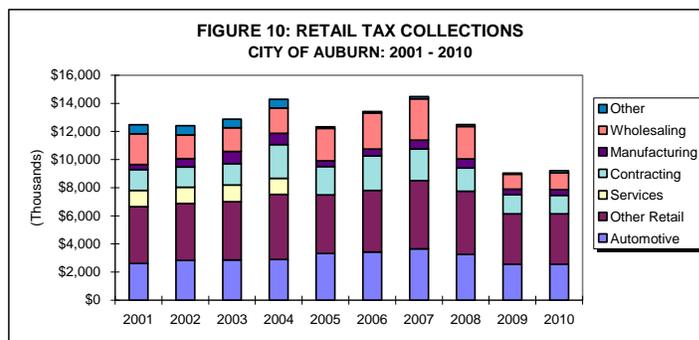
City of Auburn	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
Washington State	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
King County	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.26%	0.36%	0.36%	0.36%
Regional Transit Authority	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.90%	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%	8.80%	8.90%	9.00%	9.50%	9.50%

Special sales tax rates

Restaurants-for stadium funding	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%	0.00%	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.

Source: City of Auburn Finance department and State of Washington

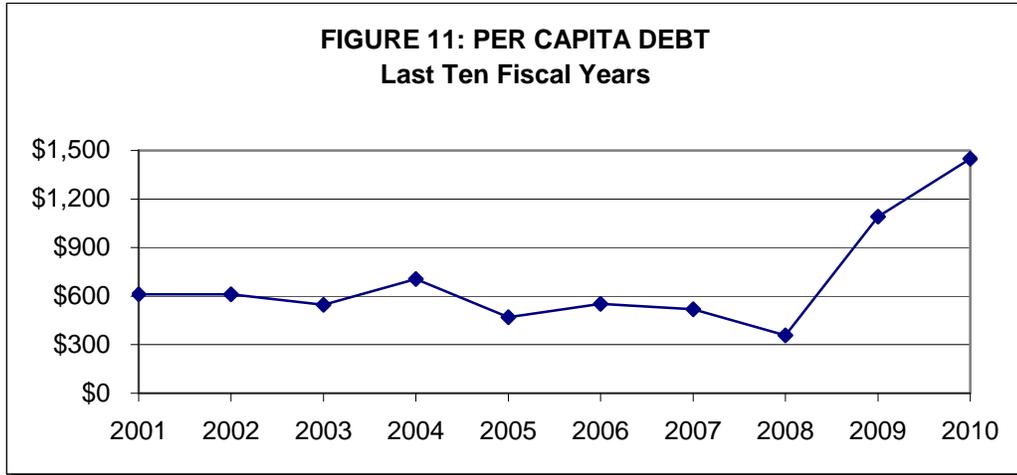


**CITY OF AUBURN, WASHINGTON
SCHEDULE 11
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Revenue Bonds	Public Works Trust Fund Loans			
2001	\$ 7,700,000	\$ 738,904	\$ -	\$ 11,110,000	\$ 7,367,157	\$ 26,916,061	3.85%	\$ 611.94
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

Source: City of Auburn, Finance Department

(1) Personal income data provided by Hebert Research for 2000, 2004, 2005 and 2010 only; other years are city estimates



CITY OF AUBURN, WASHINGTON
SCHEDULE 12
COMPUTATION OF LEGAL DEBT MARGIN
 AS OF DECEMBER 31, 2010

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Spaces	Utility Purpose	
December 31, 2010 - Total Assessed Value:					
	7,544,294,006				
2.5% of assessed value	\$ -	\$ 188,607,350	\$ 188,607,350	\$ 188,607,350	\$ 565,822,050
1.5% of assessed value	113,164,410	(113,164,410)	-	-	-
Statutory debt limit	113,164,410	75,442,940	188,607,350	188,607,350	565,822,050
Debt outstanding	66,868,426	-	-	-	66,868,426
Less redemption fund assets:					
Available to pay principal	4,137,711	-	-	-	4,137,711
Plus liabilities:					
Payables	2,169,724	-	-	-	2,169,724
Vacation/sick leave	1,921,929	-	-	-	1,921,929
Net debt outstanding	66,822,368	-	-	-	66,822,368
Remaining debt capacity	\$ 46,342,042	\$ 75,442,940	\$ 188,607,350	\$ 188,607,350	\$ 498,999,683

CITY OF AUBURN, WASHINGTON
SCHEDULE 13
LEGAL DEBT MARGIN RATIOS
 LAST TEN FISCAL YEARS
 (EXPRESSED IN THOUSANDS)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 252,476	\$ 294,669	\$ 336,913	\$ 350,782	\$ 350,782	\$ 432,377	\$ 489,472	\$ 653,979	\$ 577,669	\$ 565,822
Total net debt applicable to limit	(4,871)	(1,610)	3,576	17,055	17,055	11,352	10,757	10,771	62,671	66,868
Legal debt margin	\$ 257,347	\$ 296,279	\$ 333,337	\$ 333,727	\$ 333,727	\$ 421,025	\$ 478,715	\$ 643,208	\$ 514,998	\$ 498,954
Total net debt applicable to the limit as a percentage of debt limit	(1.93%)	(0.55%)	1.06%	4.86%	4.86%	2.63%	2.20%	1.65%	10.85%	11.82%

CITY OF AUBURN, WASHINGTON
SCHEDULE 14
COMPUTATION OF NET DIRECT AND ESTIMATED OVERLAPPING DEBT
AS OF DECEMBER 31, 2010

	Net Debt Outstanding	Percent Applicable ⁽³⁾	Bonded Amount Applicable
Net direct debt:			
Net direct debt - City of Auburn ⁽¹⁾			\$ 64,816,850
Estimated net overlapping debt: ⁽²⁾			
King County	\$ 1,245,658,534	2.05%	\$ 25,536,000
Port of Seattle	335,500,000	2.05%	6,877,750
School District No. 210	203,574,076	2.23%	4,539,702
School District No. 408	92,500,000	77.55%	71,733,750
School District No. 415	230,938,217	1.84%	4,249,263
Rural Library District	131,901,411	3.40%	4,484,648
Valley Regional Fire Authority	18,720,000	89.26%	16,709,472
Pierce County	158,943,371	0.92%	1,462,279
Total estimated net overlapping debt			135,592,864
Total direct and overlapping debt			\$ 200,409,714

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.

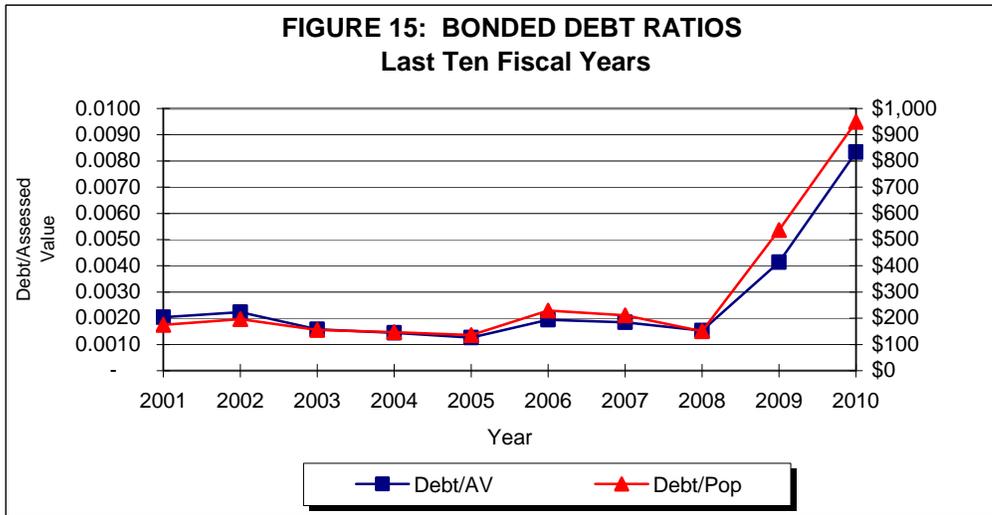
Calculation of overlapping debt: applicable percentage is determined by the ration of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Auburn.

**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 ⁽¹⁾ (Thousands)	Gross Bonded Debt ⁽²⁾	Debt Service Amount ⁽³⁾ Available	Net Bonded Debt (Thousands)	Ratio of Net Bonded Debt to Assessed Value	Gross Bonded Debt per Capita
2001	43,985	\$ 3,752,065	\$ 7,700,000	\$ 63,660	\$ 7,636	0.20%	\$ 175
2002	44,685	3,928,917	8,769,108	5,043	8,764	0.22%	196
2003	45,546	4,492,179	7,088,000	5,278	7,083	0.16%	156
2004	46,135	4,677,093	6,754,000	7,248	6,747	0.14%	146
2005	47,470	5,099,469	6,478,000	14,256	6,464	0.13%	136
2006	48,955	5,765,028	11,210,000	25,372	11,185	0.19%	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

Notes:

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



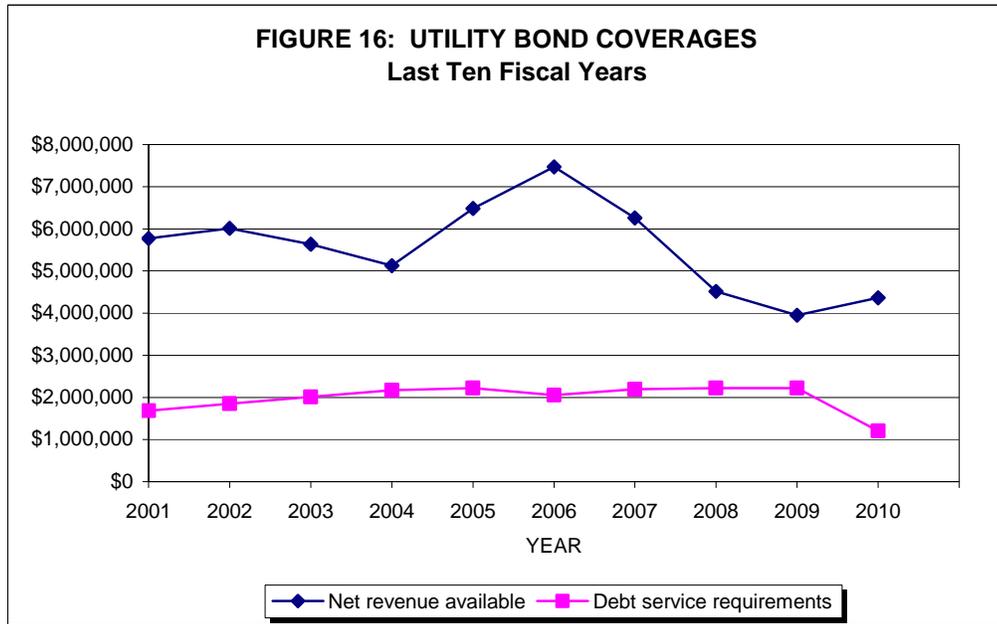
**CITY OF AUBURN, WASHINGTON
SCHEDULE 16
PLEGGED REVENUE BOND COVERAGES
LAST TEN FISCAL YEARS**

Year	Gross ⁽¹⁾ Revenue	Direct ⁽²⁾ Operating Expense	Net Revenue Available	Debt Service Requirements			Times Coverage
				Principal	Interest	Total	
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

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.

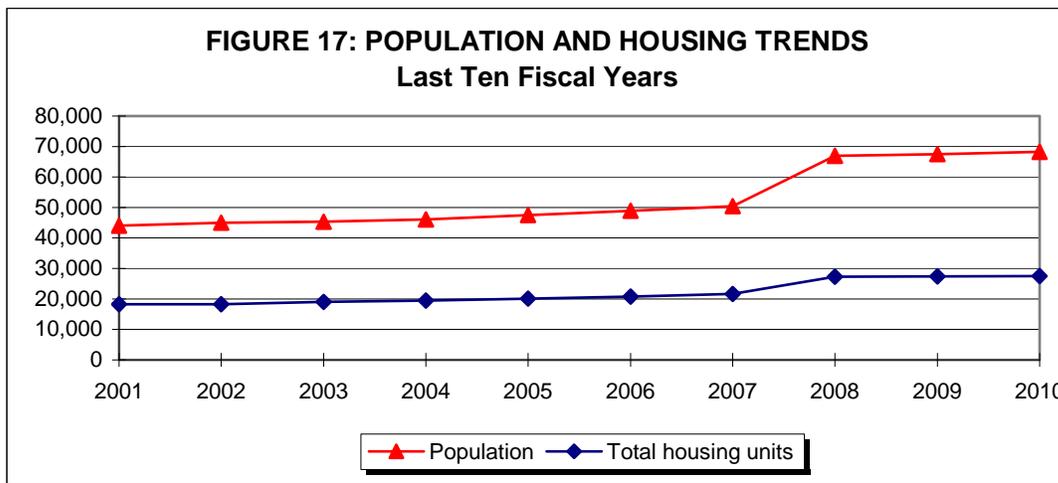


**CITY OF AUBURN, WASHINGTON
SCHEDULE 17
POPULATION, INCOME AND HOUSING TRENDS
LAST TEN FISCAL YEARS**

Item	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
School enrollment ⁽¹⁾	13,222	13,504	13,461	13,838	13,760	14,367	14,559	14,716	14,589	14,482
Rate of unemployment ⁽²⁾	5.1%	6.1%	6.2%	5.1%	4.6%	4.1%	3.7%	4.2%	8.1%	8.7%
Population ⁽³⁾	43,985	45,010	45,355	46,135	47,470	48,955	50,470	67,005	67,485	68,270
Personal income (thousands of dollars) ⁽⁴⁾	\$ 974,196	\$ 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
Per capita personal income ⁽⁴⁾	\$ 22,148	\$ 23,116	\$ 24,126	\$ 25,181	\$ 26,281	\$ 27,430	\$ 28,628	\$ 30,208	\$ 29,483	\$ 27,080
Housing units ⁽⁵⁾										
One unit	8,247	8,671	8,745	8,990	9,105	9,402	9,625	14,186	14,235	14,333
Two or more	7,667	7,452	7,790	8,078	8,655	8,943	9,623	10,375	10,391	10,426
Mobile home or special	2,302	2,144	2,474	2,421	2,346	2,407	2,382	2,761	2,782	2,794
Total housing units	18,216	18,267	19,009	19,489	20,106	20,752	21,630	27,322	27,408	27,553

Sources:

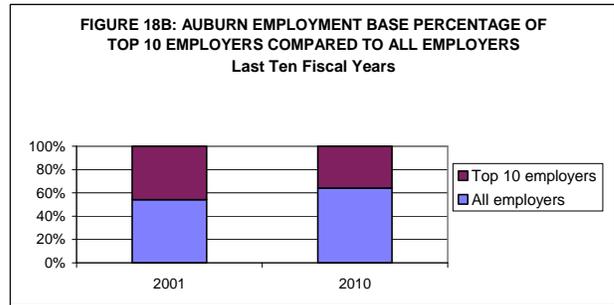
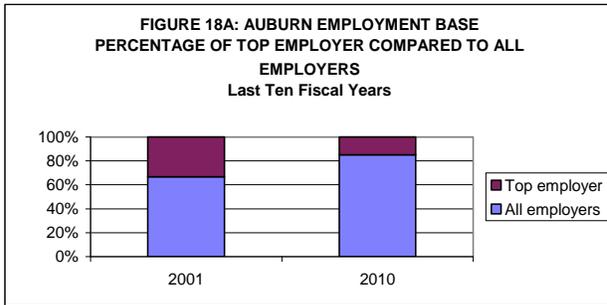
- (1) Auburn School District No. 408
- (2) WA State Employment Security Department - average King County rate
- (3) WA State Office of Financial Management
- (4) Herbert Research
- (5) Office of Financial Management



**CITY OF AUBURN, WASHINGTON
SCHEDULE 18
MAJOR EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Product/service	2010			2001		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Boeing Company	Aerospace	5,179	1	17.5%	10,000	1	50.5%
Muckleshoot Tribal Enterprises	Gaming	2,500	2	8.5%	1,200	3	4.7%
Auburn School District	Education	1,800	3	6.1%	1,682	2	7.6%
Super Mall	Retail	1,700	4	5.8%			
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	Gov't / 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				414	8	2.6%
Fred Meyer	Retail				289	10	1.7%
TOTALS		16,479		55.8%	16,946		84.5%

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

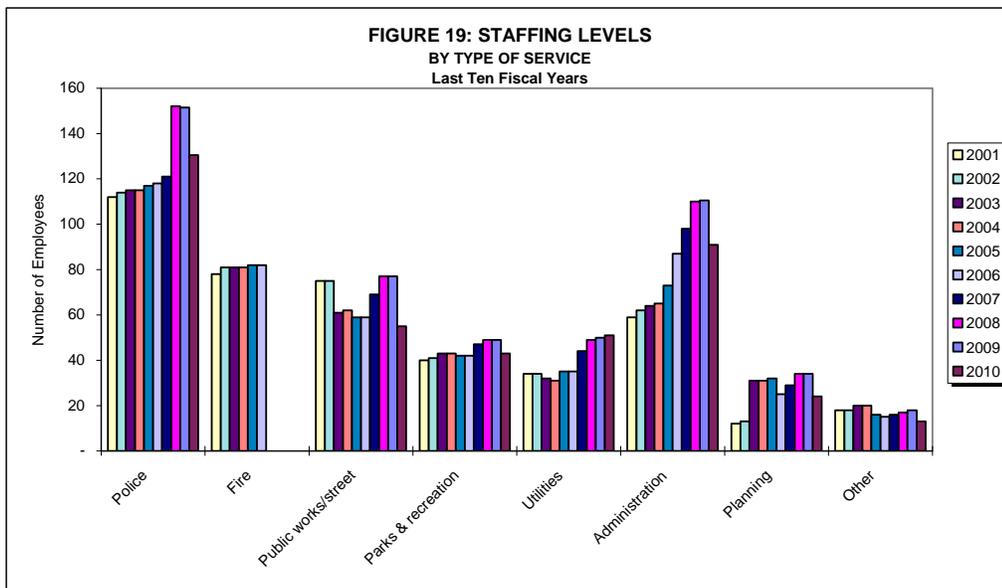


**CITY OF AUBURN, WASHINGTON
SCHEDULE 19
STAFFING LEVELS BY DEPARTMENT
LAST TEN FISCAL YEARS**

Department	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mayor	3	3	4	4	8	10	11	12	12	10
Human resources	6	7	7	7	7	15	17	18	9	7
Finance	26	27	28	28	21	23	24	25	25	21
Municipal court	11	12	12	13	14	15	17	21	21	17
Legal	13	13	13	13	13	13	14	16	16	13
Planning	12	13	31	31	32	25	29	34	34	24
Police	112	114	115	115	117	118	121	152	152	131
Fire ⁽¹⁾	78	81	81	81	82	82	-	-	-	-
Public works	62	62	48	49	48	48	54	63	63	43
Parks & recreation	34	35	37	37	36	36	38	40	40	35
Street	13	13	13	13	11	11	15	14	14	12
Water	14	14	16	16	16	16	19	20	20	22
Sewer	7	7	7	6	8	8	11	11	11	11
Storm utility	7	7	7	7	9	9	12	16	17	16
Solid waste	6	6	2	2	2	2	2	2	2	2
Airport	3	3	3	3	-	-	-	-	-	-
Cemetery	7	7	7	7	6	6	7	7	7	7
Golf course	6	6	6	6	6	6	9	9	9	8
Facilities ⁽²⁾	-	-	-	-	-	-	-	-	10	10
Information services	-	-	-	-	10	11	15	18	18	14
Equipment Rental	8	8	10	10	10	9	9	10	11	6
TOTAL	428	438	447	448	456	463	424	488	490	408

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Planning										
Commercial permits	431	434	337	217	240	248	214	95	112	145
Commercial construction value (\$1,000's)	\$ 74,924	\$ 56,257	\$ 50,269	\$ 77,121	\$ 71,047	\$ 63,658	\$ 63,658	\$ 22,887	\$ 58,896	\$ 21,834
Residential permits	422	421	583	766	604	485	293	165	85	184
Residential construction value (\$1,000's)	\$ 65,326	\$ 55,108	\$ 89,415	\$ 155,551	\$ 112,125	\$ 61,872	\$ 61,872	\$ 27,048	\$ 15,739	\$ 36,602
Police										
Crimes:										
Arson	35	46	45	43	33	36	30	24	19	23
Assault	143	169	145	135	168	158	143	154	163	137
Burglary	686	578	596	861	623	686	590	630	590	725
DUI	204	170	189	240	218	158	145	194	193	192
Homicide	-	3	2	1	1	-	1	-	3	3
Narcotics	606	499	506	399	472	493	368	439	440	442
Rape	19	33	32	24	13	24	12	14	13	15
Robbery	69	68	69	91	85	122	92	102	92	79
Theft	2,300	2,243	2,082	2,344	2,509	2,216	1,962	2,343	2,362	2,533
Theft - motor vehicle	692	875	816	802	869	642	672	639	370	569
Traffic:										
Non-criminal	9,072	9,643	9,946	7,962	6,850	4,978	6,865	6,794	7,788	7,182
Parking	1,803	2,188	1,821	1,827	2,140	3,965	4,802	3,740	4,026	4,648
Fire ⁽⁵⁾										
Type of response:										
Building	103	101	114	107	94	98	-	-	-	-
Non-building	236	260	305	249	198	238	-	-	-	-
Alarm systems	562	511	486	497	474	524	-	-	-	-
Service	387	370	465	493	493	618	-	-	-	-
Other	747	819	917	940	870	979	-	-	-	-
First Aid	4,902	5,177	5,155	5,562	5,679	5,616	-	-	-	-
Parks and Recreation										
Athletic teams	464	467	523	507	445	459	479	416	428	439
Recreation activities	1,483	1,527	1,708	1,896	2,086	2,069	2,719	2,056	2,335	2,281
Golf course rounds ⁽¹⁾	53,864	53,967	41,753	45,336	47,501	43,454	50,500	54,993	50,572	49,950
Senior center visits ⁽²⁾	29,572	32,121	31,418	32,103	35,308	35,381	34,427	36,805	41,032	41,350
Cultural activities	56	88	55	56	56	58	84	84	90	101
Museum audience served ⁽³⁾⁽⁴⁾	11,000	8,994	9,417	10,274	9,340	9,400	12,090	11,921	11,835	12,570
Cemetery burials	301	277	272	271	277	277	245	289	232	228

Sources: Various city departments

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

(2) 2001 - Senior center had reduced programs and 16 additional closure dates to facilitate move to new facility

(3) 2002 - Museum actual service has increased; decline in count due to change in calculation method

(4) 2001 - Museum closed for renovations for several months

(5) 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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General City										
Total area (square miles)	22.6	22.7	22.8	22.8	23.3	23.4	23.4	30.0	30.1	30.1
Public Works										
Miles of streets	160	166	180	180	180	180	186	272	276	283
Number of streetlights	2,790	2,934	2,934	3,355	3,410	3,575	3,602	5,074	5,392	5,523
Number of traffic signals	n/a	n/a	n/a	66	72	72	72	83	85	86
Utilities										
Number of services	11,645	12,014	12,077	12,144	12,833	12,633	12,954	13,050	13,076	13,372
Miles of water mains	243	247	252	254	278	279	287	283	293	297
Miles of sanitary sewers	166	149	176	177	177	177	182	205	207	213
Miles of storm sewers	n/a	n/a	n/a	185	190	195	197	197	204	226
Number of fire hydrants	n/a	n/a	n/a	2,270	2,285	2,300	2,369	2,969	2,998	3,044
Public Safety										
Number of fire stations ⁽¹⁾	3	3	3	3	3	3	-	-	-	-
Number of police stations	3	3	2	2	2	2	2	2	2	2
Parks and Recreation										
Total park acreage	547	533	535	592	596	596	596	598	602	602
Number of softball/baseball fields	n/a	n/a	n/a	19	19	19	19	19	18	18
Number of soccer/football fields	n/a	n/a	n/a	3	3	3	3	3	3	18
Number of playgrounds	n/a	n/a	n/a	25	29	30	30	32	33	35

Sources: Various city departments

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

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