



2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

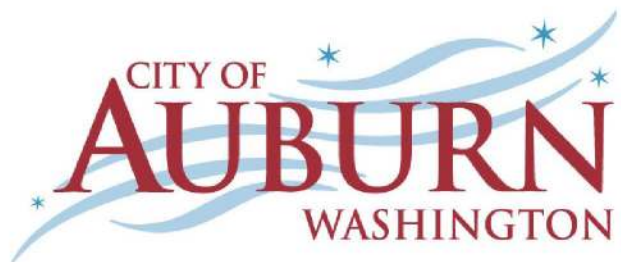


CITY OF AUBURN

WASHINGTON

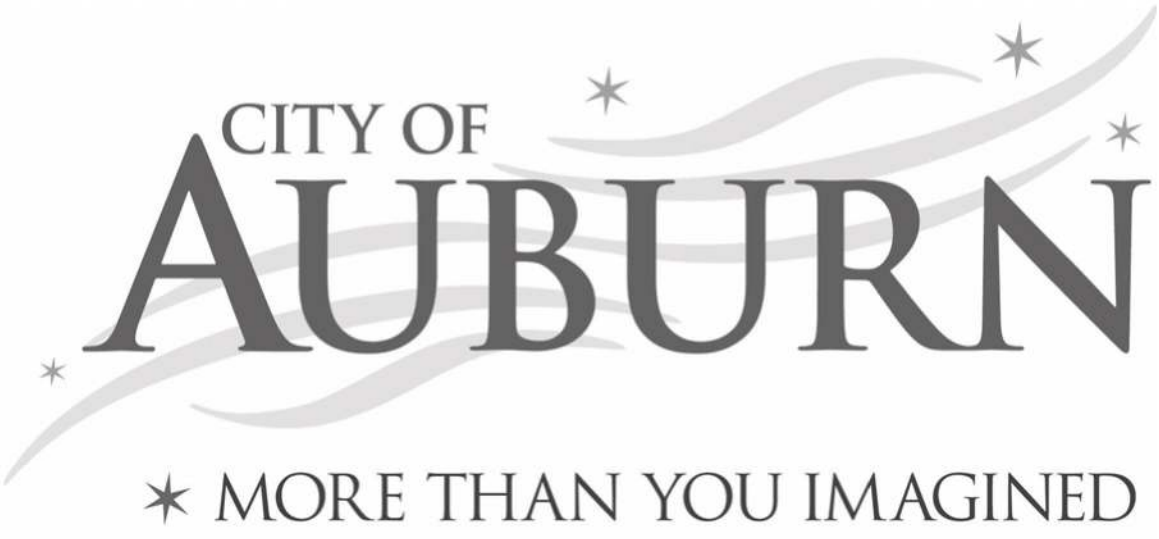
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year January 1, 2008 through December 31, 2008



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, 2008

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CITY OFFICIALS

MAYOR
Pete Lewis

CITY COUNCIL



Nancy Backus



Gene Cerino



Virginia Haugen



Lynn Norman



Bill Peloza



Sue Singer

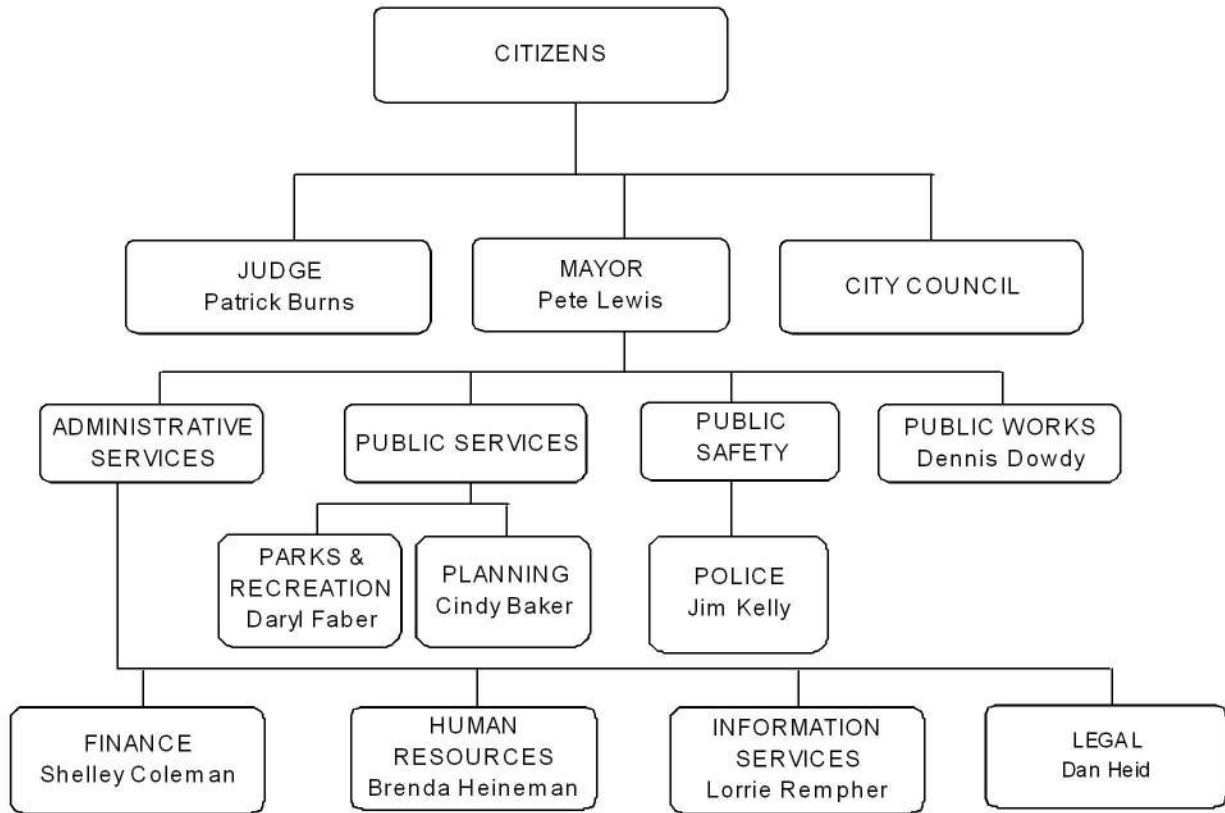


Rich Wagner

DEPARTMENT HEADS

Finance Director
City Attorney
Director of Human Resources & Risk Management
Information Services
Parks Director
Planning Director
Police Chief
Public Works Director

Shelley Coleman
Dan Heid
Brenda Heineman
Lorrie Rempher
Daryl Faber
Cindy Baker
Jim Kelly
Dennis Dowdy



COUNCIL COMMITTEES

FINANCE COMMITTEE

Nancy Backus, Chairperson
Sue Singer
Bill Peloza

MUNICIPAL SERVICES

Gene Cerino, Chairperson
Bill Peloza
Lynn Norman

PLANNING & COMMUNITY DEVELOPMENT

Lynn Norman, Chairperson
Nancy Backus
Rich Wagner

PUBLIC WORKS

Rich Wagner, Chairperson
Gene Cerino
Virginia Haugen

June 30, 2009

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, 2008. 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, 2008. 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, 2008 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 2007 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, and the Mayor is elected and is the full-time Chief Administrator. The seven-member City Council is elected at large, rather than by district. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the city. The City is located primarily in southern King County (county seat, Seattle) and a small northeastern portion of Pierce County. These are the two most populous counties in the State of Washington, comprising over 40% of the 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 67,000 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 jail facilities that provide services to other governmental agencies 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 significant 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 2008, for 2009 property tax collection, was \$8,719,721,892.

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 is expanding to include an oncology center and also has a parking garage currently under construction.

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, Emerald Downs, Muckleshoot Casino, Auburn Performing Arts Center, White River Museum, White River Amphitheater, Washington National Golf Course, the commuter rail station, the new Safeway distribution center, and the newly finished Auburn Golf Course Clubhouse.. Auburn has also been a center for automobile sales for a number of years, drawing customers from a wide area.

Since 1999 the City's total assessed property valuation has more than doubled from \$3.0 billion to over \$6.5 billion. The sales tax receipts went from \$12.4 million to \$17.5 million in the same time period. Sales taxes dropped from their high in 2007 of \$17.5 million to \$15.4 million in 2008 from the impact of the Streamlined Sales Tax (SST) laws enacted by the State of Washington that were effective July 1, 2008. The SST eliminates approximately \$200,000 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 one mitigation payment in 2008, however, there is no certainty that the mitigation payments will continue.

The City has suffered in the recession and has not been insulated from the same effects being felt at the State and National levels. The economic climate suddenly changed mid year 2008 and has steadily declined through the first quarter 2009. Sales Tax revenue which constitutes approximately forty percent of the General Fund budget appears to have leveled off and 'reset'. Construction permits and Real Estate Excise Tax revenue is expected to be less than half of past years receipts. The City has reduced staff and corresponding budgets to align the budgets and live within its means.

There is a more positive note regarding City projects that are in the early development and planning stages including the creation of the Auburn Environmental Park and a recently constructed bird viewing tower in the park. The City has also acquired property in the downtown

area and entered into development contracts with a clear goal to revitalize the downtown area. Recently the State Legislature identified the Auburn downtown redevelopment area as a demonstration area and the City is the planned recipient of an annual revenue stream from the State that will provide \$3.3 million of infrastructure improvements in the downtown. 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 projects currently underway include The Auburn Regional Medical Center campus expansion. The campus is located in the downtown area of the city and the 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 149 of the stalls. The project completion is scheduled for fall 2009. Also under construction is a new professional office building which will provide 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.

Other factors continue to strengthen the local economy over the past several years. Emerald Downs a major thoroughbred horseracing facility in Auburn, was constructed to replace Longacres – the area's former racing facility located in Renton, Washington. The addition of the Thoroughbred Breeders Association headquarters was completed in 1998. Emerald Downs also provides facilities for meetings, banquets and seminars. A major gambling facility is located on the Muckleshoot Indian Reservation in Auburn. In 1999, 2004 and again in 2006, the facility was expanded for additional gambling which includes a non-smoking facility, entertainment, and the addition of a 24-hour family restaurant. The casino recently completed construction of a five-story parking garage to accommodate casino growth and increased numbers of patrons. The Tribe is in the planning stages at this time for further expansion of the facility in the near future. The Tribe also opened the White River Amphitheater, a 25,000 seat outdoor facility in 2003. 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 Boeing Company's layoffs and divesture over the past several years in the Puget Sound area has had an effect on the regional and local economy. Boeing has reduced approximately 57% of its jobs in Auburn. The Boeing downsizing operation has led to new economic growth in Auburn as available property and the adjacent land open 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.

Despite economic cycles, the City has continually focused on enhancing the quality of life in the community. In recent years, through strategically placed bond issues, special levies, successes in 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. In 2001, the City renovated the former library building into a new 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 recently demolished and site prepared in anticipation of the future construction of a Community and Activity Center. The campus currently hosts the Library, White River Valley Museum, Parks and Recreation department and Senior Center.

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 and recent recession years of 2001 and 2002, but have maintained the General fund on a firm financial basis.

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 and have adequate balances for their purposes. The Water fund has been under some economic pressure due to an aggressive capital program to meet federal and state requirements. Rates were increased during 2007, 2008 and 2009. The City completed a comprehensive plan update in 2008 for all utilities and will complete an associated cost-of-service study for the utilities in 2009.

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 facility 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. Several projects include the reconstruction of aged utility infrastructure, reconstruction of local neighborhood streets and the Intelligent Traffic System (ITS). The ITS project will allow the City to program and monitor intersections from a central location for highly traveled corridors like Auburn Way. Also underway is a master plan for the Les Gove Park Campus which will house a community center in the future.

The Pierce County area of the City continues to grow through the development of new single and multifamily housing in Lakeland Hills. Madera town homes and Pinnacle single-family homes are some of the newest developments with more in the planning stages.

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 fund 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

1. Types and Level of Risk Assumed

The City participates in the Washington Cities' Insurance Authority (an insurance pool of over 100 cities). 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.

2. Risk Control Policies

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 2008 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 2008. 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, 2007. This was the twenty first 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 seventeen years. The City was one of just twenty-two cities in the state to receive both the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation award for 2007.

C. ACKNOWLEDGMENTS

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

Respectfully submitted,



Shelley R. Coleman
Finance Director



CITY OF
AUBURN

* MORE THAN YOU IMAGINED

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Auburn Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 30, 2009

Mayor and City Council
City of Auburn
Auburn, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, King County, Washington, as of and for the year ended December 31, 2008, 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, during the year ended December 31, 2008, the City implemented the Governmental Accounting Standards Board's Statement 45.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 26, 2009, 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 34 and budgetary comparison information on pages 91 through are not a required part of the basic financial statements but are 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 94 through 131 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", written in a cursive style.

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 \$539.9 million. A total of \$448.2 million, or 83% 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 \$2.1 million of net assets is restricted for purposes of endowment and debt service. Of the remaining \$89.6 million of net assets, \$27.8 million is legally restricted, reserved by City policy for specific purposes, or is restricted for use by the City's utilities and \$61.8 million is unrestricted.
- The net increase in government-wide net assets during 2008 was \$103.6 million. Of this amount, \$105.0 million was directly related to the increase in City-owned capital assets and infrastructure.
- On a government-wide basis, governmental net assets increased by \$94.6 million during 2008. Of this amount \$90 million is attributable to the infrastructure assets received as a result of the annexation of the Lea Hill and West Hill areas.
- Business-type net assets increased by \$9.0 million during 2008. While the business-type activities had a net loss of \$922,000 net assets increased due to \$10.7 million of utility capital contributions. Of this amount, \$9.4 million is related to utility infrastructure contributed to the City by developers, and \$1.3 million is related to new customer connections.
- Governmental fund balances at year-end totaled \$42.2 million. Of this amount, \$40.7 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 \$5.9 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 2007, total governmental fund balances increased by \$3.0 million. This increase is primarily a result of the recognized gain of \$2.7 million from the sale of two city properties in 2008.

- The general fund's unreserved fund balance decreased \$1.4 million from 2007. This decrease resulted from transfers out of the general fund of \$1.3 million to the capital projects fund and \$697,000 to the equipment rental fund for the purchase of equipment and vehicles needed as a result of the annexations in 2008. The transfers out were only partially offset by net revenue of \$2.2 million in 2008.

- Total City debt payments during the year, net of compensated absences, were \$2.6 million. Total outstanding debt, including bonds and loans, totaled \$25.9 million at December 31st. This ending debt balance is a decrease of \$1.9 million from 2007 and is the result of scheduled debt repayments and removal of the compensated absence liability for firefighters and EMS that was partially offset by additional Public Works Trust Fund loans. See note 12 for further information on debt activity during the year and note 16 for information related to incorporation of what was the City's fire department into a new regional fire protection district.

Other City Highlights:

- The City worked with other regional governments on future regional water supplies, climate change, water demand, source exchange and small systems management.
- The expanded use of Photosafe Red Light Photo Enforcement and Speed Enforcement within the City to enhance the public safety of our pedestrian and vehicular traffic. Expansion included one new intersection and two school zones.
- Police reduced crime through community programs educating citizens on reducing crimes.
- Continued implementation of the neighborhood traffic calming program using revenues from the Photo Safe Red Light Enforcement program.
- Improvement in animal control.
- The completion of the second Gateway project at M Street and Auburn Way South.
- The initiation of the Auburn Junction Downtown Plan.
- The provision of support to the Save Our Streets program for local street projects.
- The completion of West Main Street, Bike Trail and Streetscape improvements incorporating public art.
- The completion of the annexation of Lea Hill and West Hill areas and commencement of the update of our Comprehensive Plans for Arterial Streets, Storm Drainage, Water and Sewer. Total population increase from the annexations was approximately 15,500.
- The City undertook implementation of Economic Development Strategies.
- The City provided greater opportunity to citizens in need of human service agency services to use those services in a more coordinated manner.
- Construction of a bird viewing tower in Auburn Environmental Park.
- Renovated, redeveloped the use of, and began programming at the Auburn Avenue Theater.

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, cemetery and commercial retail space. 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 presentation is used, 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 expenditures. 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 seventeen 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 as 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 and the City-leased retail space.

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, 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 in the tab labeled "Required Supplemental Information" and the pension benefit and other postemployment benefit required supplementary information is found in note 10.

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

Government-wide Financial Analysis

The statement of net assets can serve as a useful indicator of the City's financial position. The City of Auburn's net assets (assets in excess of liabilities) at December 31, 2008 totaled \$539.9 million. Following is a condensed version of the government-wide statement of net assets with a comparison to 2007:

City of Auburn Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | As of 12/31/08 | As of 12/31/07 | As of 12/31/08 | As of 12/31/07 | As of 12/31/08 | As of 12/31/07 |
| Current and other assets | \$ 61,772,384 | \$ 58,618,809 | \$ 44,721,537 | \$ 46,338,621 | \$ 106,493,921 | \$ 104,957,430 |
| Capital assets, net of accumulated depreciation | 310,061,603 | 217,146,886 | 159,692,228 | 151,684,341 | 469,753,831 | 368,831,227 |
| Total assets | <u>371,833,987</u> | <u>275,765,695</u> | <u>204,413,765</u> | <u>198,022,962</u> | <u>576,247,752</u> | <u>473,788,657</u> |
| Long-term liabilities | 8,354,361 | 7,461,126 | 20,348,476 | 22,422,501 | 28,702,837 | 29,883,627 |
| Other liabilities | 4,994,178 | 4,400,206 | 2,645,390 | 3,202,642 | 7,639,568 | 7,602,848 |
| Total liabilities | <u>13,348,539</u> | <u>11,861,332</u> | <u>22,993,866</u> | <u>25,625,143</u> | <u>36,342,405</u> | <u>37,486,475</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 303,564,348 | 212,611,232 | 144,626,496 | 130,515,163 | 448,190,844 | 343,126,395 |
| Restricted | 28,965,599 | 24,519,024 | 933,914 | 1,227,395 | 29,899,513 | 25,746,419 |
| Unrestricted | 25,955,501 | 26,774,107 | 35,859,489 | 40,655,261 | 61,814,990 | 67,429,368 |
| Total net assets | <u>\$ 358,485,448</u> | <u>\$ 263,904,363</u> | <u>\$ 181,419,899</u> | <u>\$ 172,397,819</u> | <u>\$ 539,905,347</u> | <u>\$ 436,302,182</u> |

The largest component of the City's net assets, \$448.2 million, or 83%, 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, \$35.9 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 \$28.9 million and are restricted for purposes such as capital project construction, debt service, mitigation, and endowment.

The remaining net assets of the City may be used for functions such as public safety employee salaries and supplies, park and road maintenance, and other general governmental services.

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:

City of Auburn's Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 9,077,556 | \$ 10,049,930 | \$ 39,883,386 | \$ 38,784,127 | \$ 48,960,942 | \$ 48,834,057 |
| Operating grants and contributions | 2,567,788 | 2,923,968 | 55,024 | 43,263 | 2,622,812 | 2,967,231 |
| Capital grants and contributions | 94,905,563 | 9,213,115 | 10,670,660 | 12,479,500 | 105,576,223 | 21,692,615 |
| General revenues | | | | | | |
| Property taxes | 10,804,825 | 16,164,073 | - | - | 10,804,825 | 16,164,073 |
| Sales taxes | 17,620,661 | 18,958,484 | - | - | 17,620,661 | 18,958,484 |
| Interfund utility taxes | 2,507,213 | 2,095,901 | - | - | 2,507,213 | 2,095,901 |
| Admission & utility taxes | 8,075,355 | 6,073,429 | - | - | 8,075,355 | 6,073,429 |
| Excise taxes | 3,477,517 | 3,862,692 | - | - | 3,477,517 | 3,862,692 |
| Other taxes | 2,949,430 | 2,005,836 | - | - | 2,949,430 | 2,005,836 |
| Investment earnings | 1,589,837 | 2,993,174 | 1,242,363 | 2,098,417 | 2,832,200 | 5,091,591 |
| Miscellaneous revenue | 2,751,495 | (406,847) | 330,472 | 427,522 | 3,081,967 | 20,675 |
| Total revenues | 156,327,240 | 73,933,755 | 52,181,905 | 53,832,829 | 208,509,145 | 127,766,584 |
| Expenses: | | | | | | |
| General government | 8,000,715 | 7,196,492 | - | - | 8,000,715 | 7,196,492 |
| Public safety | 28,217,844 | 33,396,630 | - | - | 28,217,844 | 33,396,630 |
| Transportation | 12,974,861 | 8,077,154 | - | - | 12,974,861 | 8,077,154 |
| Physical environment | 3,096,696 | 3,269,334 | - | - | 3,096,696 | 3,269,334 |
| Culture and recreation | 6,271,924 | 6,539,281 | - | - | 6,271,924 | 6,539,281 |
| Economic environment | 2,608,980 | 2,400,031 | - | - | 2,608,980 | 2,400,031 |
| Health and human services | 776,224 | 416,456 | - | - | 776,224 | 416,456 |
| Interest on long-term debt | 226,651 | 163,916 | - | - | 226,651 | 163,916 |
| Water | - | - | 8,565,231 | 7,873,191 | 8,565,231 | 7,873,191 |
| Sanitary sewer | - | - | 14,479,299 | 13,974,607 | 14,479,299 | 13,974,607 |
| Storm drainage | - | - | 5,226,823 | 4,224,881 | 5,226,823 | 4,224,881 |
| Solid waste | - | - | 10,781,426 | 10,368,901 | 10,781,426 | 10,368,901 |
| Golf course | - | - | 1,958,703 | 1,576,126 | 1,958,703 | 1,576,126 |
| Other business-type activities | - | - | 1,720,603 | 1,735,118 | 1,720,603 | 1,735,118 |
| Total expenses | 62,173,895 | 61,459,294 | 42,732,085 | 39,752,824 | 104,905,980 | 101,212,118 |
| Increase in net assets before transfers | 94,153,345 | 12,474,461 | 9,449,820 | 14,080,005 | 103,603,165 | 26,554,466 |
| Transfers | 427,740 | (371,660) | (427,740) | 371,660 | - | - |
| Change in net assets | 94,581,085 | 12,102,801 | 9,022,080 | 14,451,665 | 103,603,165 | 26,554,466 |
| Net assets-beginning of period | 263,904,363 | 251,801,562 | 172,397,819 | 157,946,154 | 436,302,182 | 409,747,716 |
| Net assets-end of period | <u>\$ 358,485,448</u> | <u>\$ 263,904,363</u> | <u>\$ 181,419,899</u> | <u>\$ 172,397,819</u> | <u>\$ 539,905,347</u> | <u>\$ 436,302,182</u> |

Governmental activities contributed \$94.2 million to the total increase in City net assets of which \$90 million is attributable to the infrastructure assets received as a result of the annexation of the Lea Hill West Hill areas. 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. This amount equaled \$11.9 million, which was offset by an overall increase in the cost and variety of governmental services provided.

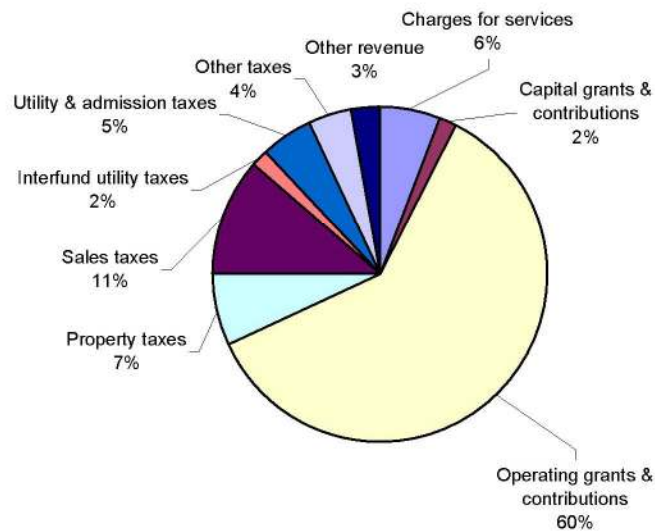
General tax revenues decreased in the current fiscal year by 7.6%, compared to an increase of 6.4% in the prior fiscal year:

- Property tax revenue fell \$5.4 million, or 33.2%. This decrease is a result of a combination of lower property valuations, a rise in foreclosures and a reduction in the City's levy rate due to the creation of the Valley Regional Fire Authority.
- Sales tax collections fell \$1.3 million, or 7.1% as a result of the economic downturn and the Streamlined Sales Tax legislation enacted in Washington State.
- Utility and admission tax revenue rose by \$2.0 million or 33.0%. The increase is primarily attributable to the annexing Lea Hill and West Hill areas.
- Real Estate Excise Tax (REET) revenue decreased by \$385,175, or 9.97%. The decline in excise taxes reflects the decline in real estate activity both in number of transactions and in the average value per transaction.
- Investment revenue fell by \$1.4 million, or 46.9%. These declines reflect the tumultuous conditions in the market.
- Miscellaneous revenue increased \$3.2 million which was primarily from the gain on sale of two city owned properties in 2008.

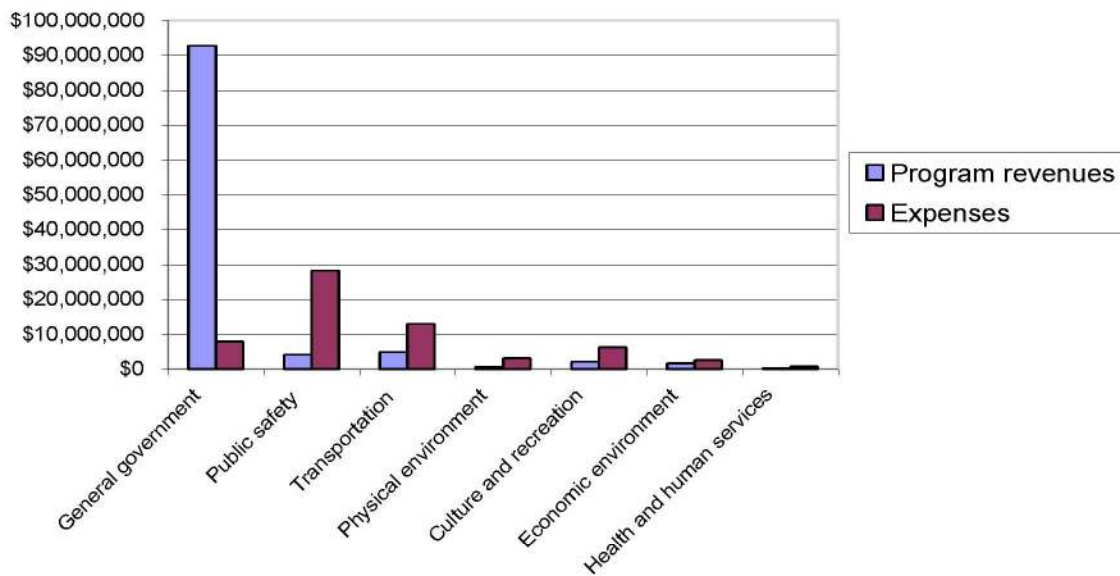
Governmental activities expenses in the primary government as a whole rose slightly from \$61.5 million to \$62.2 million in 2008 an increase of 1.2%. An increase in transportation expense of \$4.9 million or 60.6% and general government expense of \$804,000 or 11.2% were offset by a decline in public safety expense of \$5.2 million or 15.5% as a result of the transfer of the City's fire protection services to the newly created Valley Regional Fire Authority.

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



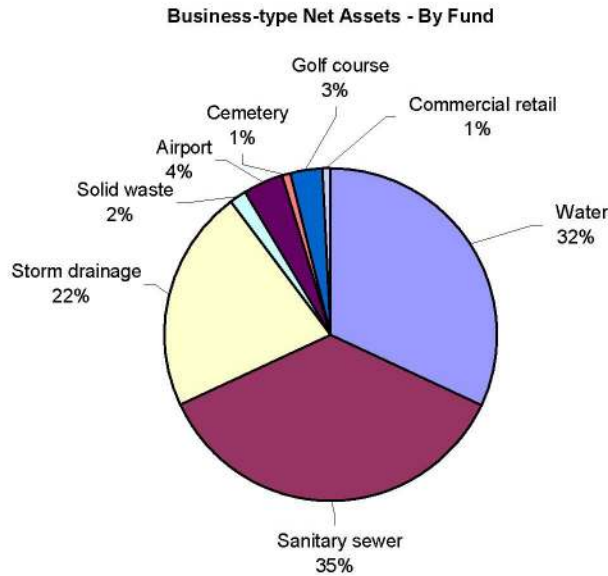
Business-type net assets increased by \$9.0 million. Key components of this increase include:

- \$10.7 million of the increase relates to utility capital contributions. Of this amount, \$9.4 million is related to utility infrastructure contributed to the City by developers, and \$1.3 million is related to new customer connections.

- Income (loss) before capital contributions and transfers amounted to:
 - Water fund: \$ (461,949)
 - Sanitary sewer fund: (152,683)
 - Storm fund: 306,838
 - Solid waste fund: (363,862)
 - Golf course: (234,377)
 - Non-major funds: (16,746)
 - \$ (922,779)

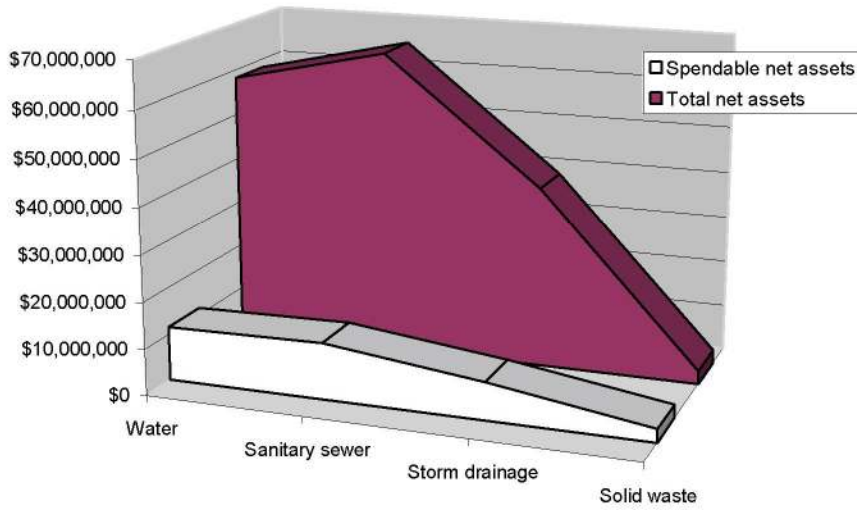
- Net transfers-out totaled \$427,740.

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



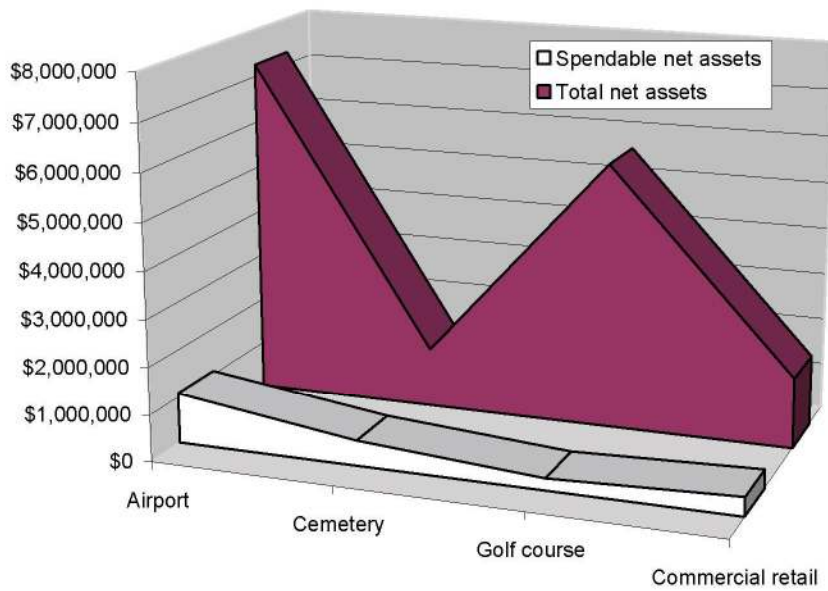
The majority of net assets in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, the airport runway, and the golf course land. As such, most of the net assets are not available to support the ongoing expenses of the funds. Following are two charts that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

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

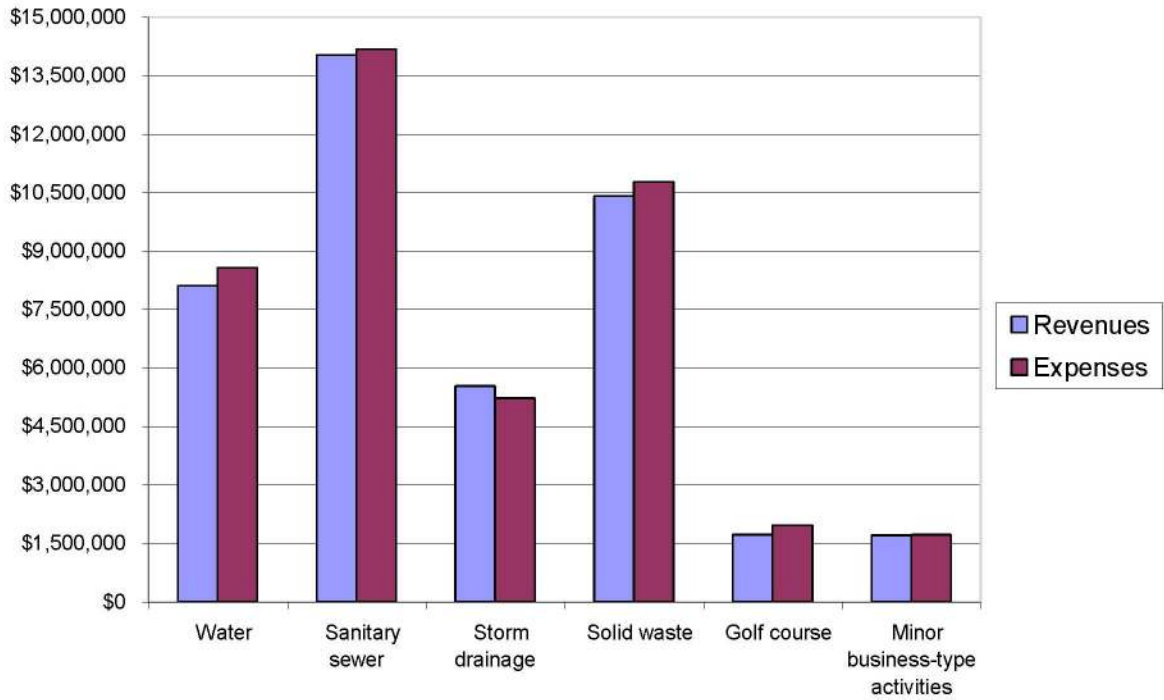


The first chart following depicts the revenues and expenses for business-type funds, while the second shows the various sources of business-type revenue:

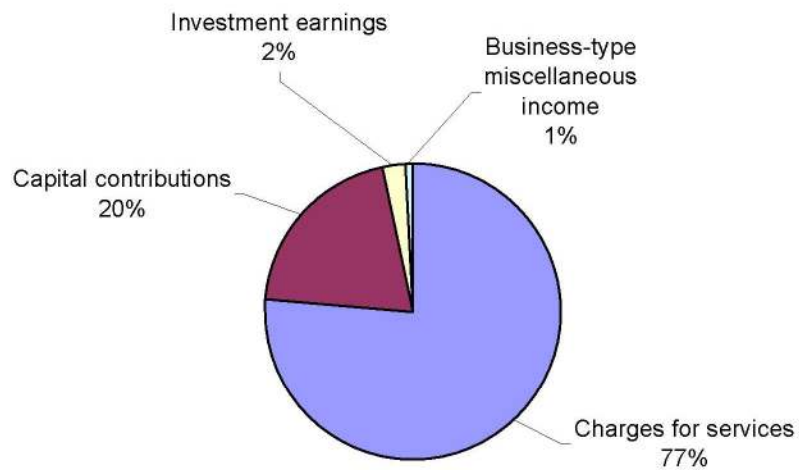
**Comparison of Total Net Assets to Spendable Net Assets
Other Enterprise Funds**



**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, 2008, the City's governmental funds had combined fund balances of \$42,176,454, an increase of \$3,043,726 or 7.78%. This increase is related to:

- | | |
|-------------------------------------|---------------|
| • General fund | (\$1,391,629) |
| • Arterial street fund | \$710,275 |
| • Capital improvement projects fund | \$3,019,851 |
| • Other governmental funds | \$705,229 |

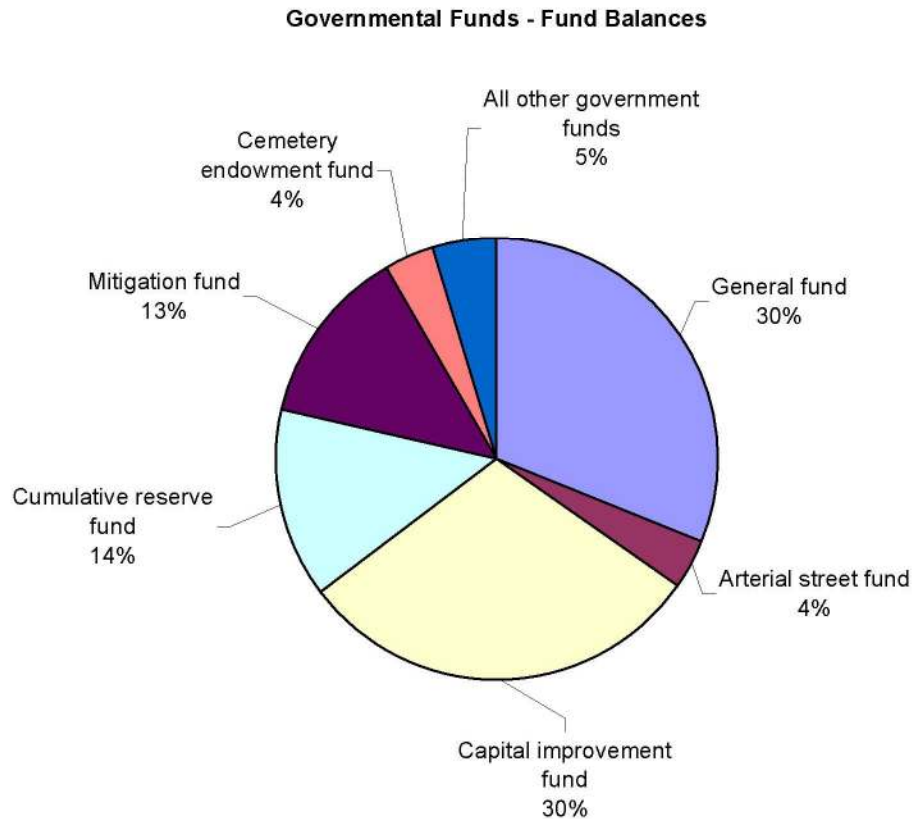
Of the government funds' total fund balances, \$40,668,889 is unreserved. Of this unreserved total, \$12,990,032 is earmarked for capital projects and \$14,463,370 is in special revenue funds and is earmarked for specific purposes. Of the \$1,507,565 of fund balances that are reserved, \$1,336,000 is 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 2008, the general fund had a fund balance of \$13,071,091, all of which is unreserved.

Other funds that had significant fund balances include:

- \$12,705,203 in the capital improvement projects fund; used for various governmental capital asset projects.
- \$5,866,566 in the cumulative reserve fund; used for revenue stabilization or capital projects.
- \$5,468,420 in the mitigation fund; used to collect fees from new development to mitigate the cost of new roads and other infrastructure.
- \$1,336,000 in the cemetery endowed care fund; used for maintenance of the cemetery.

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

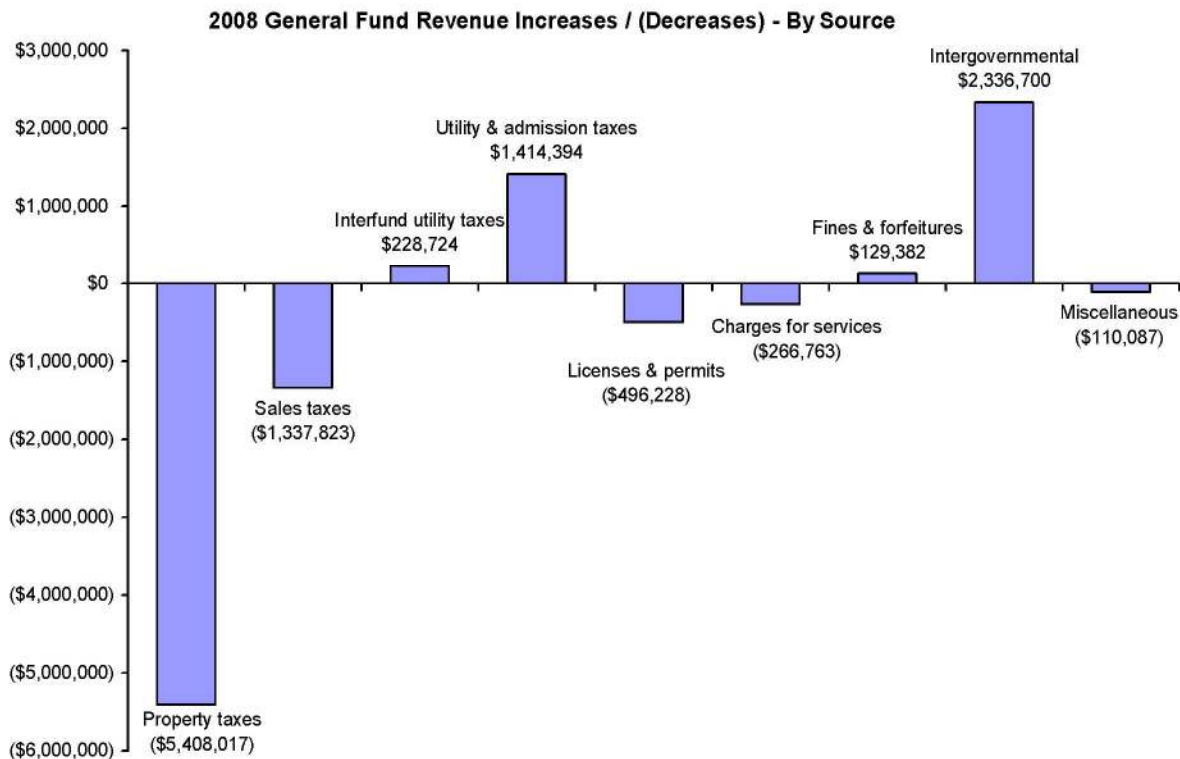


The decrease in the general fund balance of \$1.4 million is primarily attributable to a decrease of \$5.4 million in property taxes that resulted from a combination of a reduced levy rate as a result of the creation of the Valley Regional Fire Authority, a decline in property valuations and a significant decline in the housing market in 2008. In addition, sales tax revenues declined \$1.3 million or 7.1% reflecting the negative impact of the Streamlined Sales Tax legislation enacted in the State of Washington as well as the impacts of the economic downturn over the fiscal year. These decreases in revenue were partially offset by an increase in intergovernmental revenues of \$2.3 million; the majority of which is attributable to \$1.3 million received from the King County annexation agreement and \$596,000 received from the State for streamlined sales tax mitigation.

General fund expenditures decreased by \$5.3 million or 9.8% from 2007. The decrease reflects the reduction in the cost of security of persons and property as a result of the transfer of fire protection services to the Valley Regional Fire Authority (VRFA) in 2007 as described in note 16. In 2007, \$10.5 million of tax revenue was paid to the VRFA and was reflected in the general fund as an operating expenditure for security of persons and property. There was no corresponding tax revenue paid in 2008 as the VRFA now receives these taxes directly from the State of Washington.

Also, contributing to the decrease in the general fund balance were transfers out of the general fund of \$3.3 million to the capital projects fund and \$697,000 to the equipment rental fund for the purchase of equipment and vehicles needed as a result of the annexations in 2008.

The general fund revenue decrease of \$3.5 million came from the following sources:



The increase of \$3.0 million in the capital improvement projects fund is largely due to \$2.7 million gain from the sale of two city owned properties in 2008.

Other significant changes in fund balances include:

- The mitigation fund increased by \$348,375 as revenues exceeded expenditures and net transfers.
- The local streets fund increased by \$225,952 due to transfers in from the capital improvement projects and mitigation funds.

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 biannually 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:

- Decreasing property tax revenue by \$5.6 million to adjust for both a reduction in the levy rate after the formation of the Valley Regional Fire Authority for fire protection services and an increase in the King County road levy.
- Decreasing Building Permits by \$500,000 as construction declines due to the economic downturn.
- Increasing tax revenue from natural gas utility taxes by \$312,000, motor vehicle fuel taxes by \$443,300, electric utility taxes by \$788,300 and telephone utility taxes by \$820,700 due to the annexations in 2008.
- Increase King County annexation contribution by \$625,000 due to the annexations.
- Increase the sales tax credit revenue by \$733,000 for a 4 month credit.
- Increasing traffic photo enforcement revenue by \$900,000 for the implementation of this program in 2008.
- Decreasing fire protection services expenditures by \$11.1 million after the formation of the Valley Regional Fire Authority for fire protection services.
- Increasing intergovernmental professional services by \$515,000 for additional jail costs due to the annexation.
- Increasing police salaries and benefits by \$695,700 for 10 Patrol Officers and 1 Traffic Officer due to the annexation.
- Increasing jail costs by \$515,000 due to the annexation.
- Increasing police professional services for Redflex traffic lights, adding three school zones, and one traffic light.
- Increasing police salaries by \$646,900 for 10 Police Officers due to the savings achieved from the formation of the Valley Regional Fire Authority.
- Increasing transfers out to the Capital Improvement Projects Fund by \$2.0 million for property purchases for the downtown revitalization.

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

- Intergovernmental revenues exceeded the budgeted amount by \$1.3 million because the City received the King County annexation agreement payment of \$1.3 million and the streamlined sales tax mitigation payment of \$596,000 from the State of Washington which were not included in the 2008 budget.
- Security of persons and property expenditures were below budget by \$3.3 million as fire protection services for the City were transferred to the Valley Regional Fire Authority.
- Economic Environment expenditures were \$1.1 million less than budgeted reflecting salary savings of \$700,000 and the carry forward of \$700,000 of budget for the code update project.

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, 2008 totaled \$469.8 million (net of accumulated depreciation), an increase of \$101.0

million from 2007. 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:

- Annexation of Lea Hill and West Hill areas effective January 1, 2008 resulted in an increase in governmental infrastructure of \$88.9 million net of depreciation.
- Developer contributions resulted in an increase of \$9.4 million in utility infrastructure assets and \$2.5 million in governmental infrastructure assets.
- \$3.4 million was spent by proprietary funds on construction projects during the year. Some of the larger ones include:
 - \$2.3 million on Local Street Pavement Preservation
 - \$1.2 million on Arterial Pavement Preservation
 - \$0.9 million on Fenster property
 - \$0.7 million on Auburn Community Center

A summary of the City's net assets follows:

Summary of Capital Assets (net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | As of 12/31/08 | As of 12/31/07 | As of 12/31/08 | As of 12/31/07 | As of 12/31/07 | As of 12/31/07 |
| Land | \$ 105,137,747 | \$ 48,969,057 | \$ 14,464,998 | \$ 14,158,803 | \$ 119,602,745 | \$ 63,127,860 |
| Building | 15,569,974 | 16,789,533 | 8,454,977 | 8,666,798 | 24,024,951 | 25,456,331 |
| Joint venture | 3,276,716 | 2,885,788 | - | - | 3,276,716 | 2,885,788 |
| Site improvements | 4,957,637 | 4,077,270 | 132,648,835 | 121,837,398 | 137,606,472 | 125,914,668 |
| Equipment | 6,613,918 | 6,109,008 | 1,188,638 | 1,042,068 | 7,802,556 | 7,151,076 |
| Intangibles | 616,633 | 649,137 | - | - | 616,633 | 649,137 |
| Infrastructure | 168,394,251 | 134,140,672 | - | - | 168,394,251 | 134,140,672 |
| Construction in progress | 5,494,727 | 3,526,421 | 2,934,771 | 5,979,274 | 8,429,498 | 9,505,695 |
| | <u>\$ 310,061,603</u> | <u>\$ 217,146,886</u> | <u>\$ 159,692,219</u> | <u>\$ 151,684,341</u> | <u>\$ 469,753,822</u> | <u>\$ 368,831,227</u> |

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

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,584,827. Of this amount, \$10,053,000 is general obligation bonds, \$3,495,000 is revenue bonds for the water and storm utilities, and \$36,827 is special assessment debt with government commitment. The City currently maintains a rating of A1 with Moody'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 | \$ 3,868,000 | \$ 3,275,000 | \$ 7,143,000 |
| Special assessment bonds | - | - | 0 |
| Revenue bonds | - | 1,030,000 | 1,030,000 |
| | <u>\$ 3,868,000</u> | <u>\$ 4,305,000</u> | <u>\$ 8,173,000</u> |

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

Other Long-term Debt

| | | |
|-------------------------------|----|------------------|
| Public Works Trust Fund loans | \$ | 2,321,053 |
| Employee leave benefits | | - |
| | \$ | <u>2,321,053</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

| | Legal Limitation | Auburn Capacity |
|-----------------------|-----------------------|-----------------------|
| With a Vote | | |
| General | \$ 217,993,047 | \$ 207,263,695 |
| Open spaces/parks | 217,993,047 | 217,993,047 |
| Utilities | 217,993,047 | 217,993,047 |
| Totals | <u>\$ 653,979,142</u> | <u>\$ 643,249,790</u> |
| Without a Vote | | |
| General | \$ 130,795,828 | \$ 120,066,476 |
| Totals | <u>\$ 130,795,828</u> | <u>\$ 120,066,476</u> |

Additional information can be found in note 11 and in the statistical section of this report.

Economic Factors

The outlook for 2009 and beyond is guarded. The economy in the county and the City has experienced the same deep, lingering recession as that of the nation. The largest impact on the City is the decline in sales tax and development revenues. Many existing businesses have reduced their forces and unemployment in Auburn ranges between 9% for blue collar workers and close to 12% for middle management. However in spite of the recession there is development occurring in the City:

- Auburn Regional Medical Center is currently under construction with an 11,000-square foot cancer treatment center adjacent to the hospital, along with a public/private mix 300-stall parking garage.
- A new three story building that will house a floor of City offices (City Hall Annex) is under construction on an adjacent block to City Hall. The building will feature Key Bank as its anchor, along with medical/professional offices and a restaurant.
- Downtown redevelopment is planned on several blocks (4+) near the Transit Station. A developer has been selected and the project value is estimated to be \$240 million. The State has identified the Auburn project as a demonstration project during the recent legislative session. The City will receive up to \$250,000 a year that will support approximately \$3.35 million in infrastructure improvements in this area.
- Plans are moving 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.

- A new Super Wal-Mart is about to begin its 2 year construction cycle adjacent to the Super Mall that will also provide the City with new jobs and new tax revenues.

The City has and is adjusting the current expenditure budget in order to live within its means. The recession is anticipated to end late 2009 or early 2010. However, the return of revenue levels will be sometime further off in the future. The City views this economic event as a 'reset' of revenue to a lower base and expectations are that it may be several years before they return to prior levels.

Requests for Information

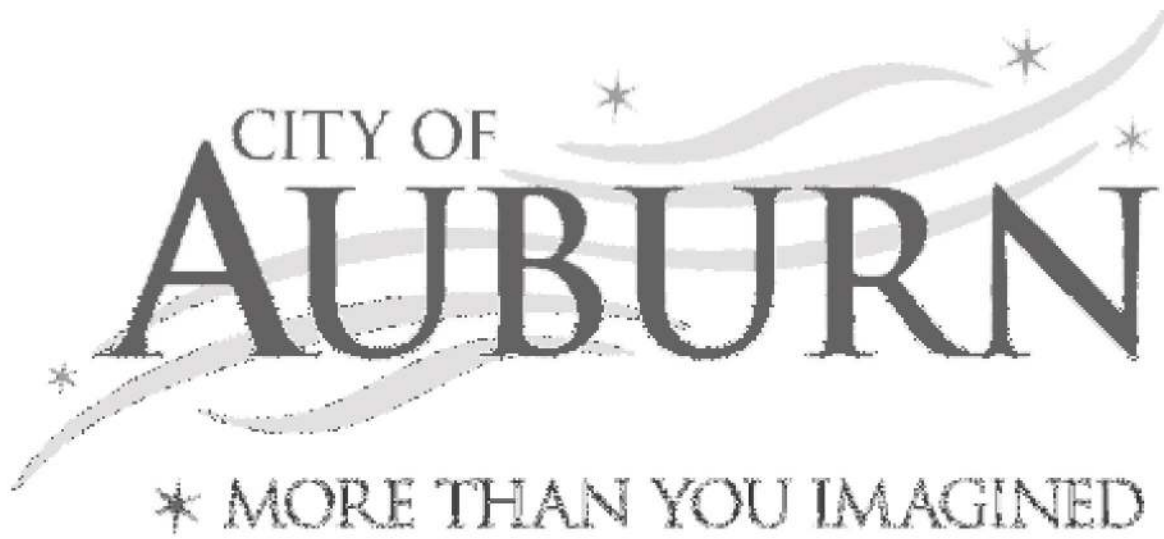
This financial report is designed to provide a general overview of the City of Auburn's finances for readers with an interest in the City's finances. Questions concerning this report, or requests for additional information, may be addressed to the Finance Director, City of Auburn, 25 West Main Street,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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City presents two government-wide financial statements:

The Statement of Net Assets 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 NET ASSETS
 DECEMBER 31, 2008

| | PRIMARY GOVERNMENT | | |
|---|----------------------------|-----------------------------|-----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS: | | | |
| CASH AND CASH EQUIVALENTS (Note 3) | \$ 48,844,885 | \$ 29,156,008 | \$ 78,000,893 |
| CASH WITH OUTSIDE AGENCIES | - | - | - |
| INVESTMENTS (Note 3) | 4,038,330 | 6,169,076 | 10,207,406 |
| RECEIVABLES: | | | |
| TAXES | 342,949 | - | 342,949 |
| CUSTOMER ACCOUNTS | 190,789 | 4,303,421 | 4,494,210 |
| OTHER RECEIVABLES | 2,630,829 | 92,769 | 2,723,598 |
| SPECIAL ASSESSMENTS | 646,408 | - | 646,408 |
| DUE FROM OTHER GOVERNMENTAL UNITS (Note 6) | 3,177,376 | 55,024 | 3,232,400 |
| INTERNAL BALANCES | 193,124 | - | 193,124 |
| MATERIALS AND SUPPLIES INVENTORY | 143,945 | 269,039 | 412,984 |
| LONG-TERM CONTRACTS AND NOTES | 4,723 | 1,115,752 | 1,120,475 |
| DEFERRED CHARGES | 1,559,026 | - | 1,559,026 |
| RESTRICTED ASSETS: | | | |
| TEMPORARILY RESTRICTED: | | | |
| CASH AND CASH EQUIVALENTS (Note 3) | - | 3,560,448 | 3,560,448 |
| DEPRECIABLE CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION): (Note 7) | 199,493,336 | 142,292,458 | 341,785,794 |
| NON-DEPRECIABLE CAPITAL ASSETS | 110,568,267 | 17,399,770 | 127,968,037 |
| TOTAL ASSETS | 371,833,987 | 204,413,765 | 576,247,752 |
| LIABILITIES: | | | |
| ACCOUNTS PAYABLE | 4,736,405 | 2,124,956 | 6,861,361 |
| INTERFUND PAYABLE | - | - | - |
| INTERNAL BALANCES | - | 193,124 | 193,124 |
| DUE TO OTHER GOVERNMENTAL UNITS | - | - | - |
| OTHER LIABILITIES PAYABLE | 257,773 | 52,216 | 309,989 |
| PAYABLE FROM RESTRICTED ASSETS: | | | |
| ACCRUED INTEREST | - | 195,837 | 195,837 |
| DEPOSITS | - | 79,257 | 79,257 |
| MATURED BONDS PAYABLE | - | - | - |
| UNEARNED REVENUE | 1,074,801 | 901,051 | 1,975,852 |
| DEFERRED CREDITS | - | - | - |
| BONDS AND OTHER DEBT PAYABLE: | | | |
| DUE WITHIN ONE YEAR (Note 12) | 1,791,228 | 1,904,985 | 3,696,213 |
| DUE IN MORE THAN ONE YEAR (Note 12) | 4,658,301 | 17,542,440 | 22,200,741 |
| SPEC ASSESSMENT DEBT WITH GOV'T COMMITMENT (Note 12) | 36,827 | - | 36,827 |
| NET OPEB OBLIGATION | 793,204 | - | 793,204 |
| TOTAL LIABILITIES | 13,348,539 | 22,993,866 | 36,342,405 |
| NET ASSETS: | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 303,564,348 | 144,626,496 | 448,190,844 |
| RESTRICTED NET ASSETS: | | | |
| CAPITAL PROJECTS | 13,012,383 | - | 13,012,383 |
| SPECIAL REVENUE FUND PROJECTS | 14,463,370 | - | 14,463,370 |
| DEBT SERVICE | 141,096 | 648,190 | 789,286 |
| NON EXPENDABLE PERPETUAL CARE | 1,348,750 | - | 1,348,750 |
| CONSTRUCTION | - | 285,724 | 285,724 |
| UNRESTRICTED NET ASSETS | 25,955,501 | 35,859,489 | 61,814,990 |
| TOTAL NET ASSETS | \$ 358,485,448 | \$ 181,419,899 | \$ 539,905,347 |

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, 2008

| | EXPENSES | PROGRAM REVENUES | | |
|-----------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| FUNCTIONS / PROGRAMS: | | | | |
| PRIMARY GOVERNMENT | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| GENERAL GOVERNMENT | \$ 8,000,715 | \$ 2,316,125 | \$ 330,125 | \$ 90,047,644 |
| PUBLIC SAFETY | 28,217,844 | 2,674,777 | 1,488,163 | - |
| TRANSPORTATION | 12,974,861 | 1,272,751 | - | 3,601,553 |
| PHYSICAL ENVIRONMENT | 3,096,696 | 257,780 | 289,701 | 115,496 |
| CULTURE AND RECREATION | 6,271,924 | 917,544 | 83,332 | 1,140,910 |
| ECONOMIC ENVIRONMENT | 2,608,980 | 1,638,579 | - | (40) |
| HEALTH AND HUMAN SERVICES | 776,224 | - | 376,467 | - |
| INTEREST ON LONG-TERM DEBT | 226,651 | - | - | - |
| | <u>62,173,895</u> | <u>9,077,556</u> | <u>2,567,788</u> | <u>94,905,563</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| WATER | 8,565,231 | 7,664,443 | - | 2,653,883 |
| SANITARY SEWER | 14,479,299 | 13,602,387 | - | 7,095,833 |
| STORM DRAINAGE | 5,226,823 | 5,160,386 | - | 920,944 |
| SOLID WASTE | 10,781,426 | 10,294,411 | 55,024 | - |
| GOLF COURSE | 1,958,703 | 1,701,487 | - | - |
| NONMAJOR BUSINESS-TYPE ACTIVITIES | 1,720,603 | 1,460,272 | - | - |
| | <u>42,732,085</u> | <u>39,883,386</u> | <u>55,024</u> | <u>10,670,660</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 104,905,980</u> | <u>\$ 48,960,942</u> | <u>\$ 2,622,812</u> | <u>\$ 105,576,223</u> |

GENERAL REVENUES:

- TAXES:
 - PROPERTY
 - RETAIL SALES AND USE
 - INTERFUND UTILITY
 - UTILITY
 - EXCISE
 - OTHER
- INVESTMENT EARNINGS
- MISCELLANEOUS
- 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 |

| | | |
|-------------------|----------|-------------------|
| \$ 84,693,179 | \$ - | \$ 84,693,179 |
| (24,054,904) | - | (24,054,904) |
| (8,100,557) | - | (8,100,557) |
| (2,433,719) | - | (2,433,719) |
| (4,130,138) | - | (4,130,138) |
| (970,441) | - | (970,441) |
| (399,757) | - | (399,757) |
| (226,651) | - | (226,651) |
| <u>44,377,012</u> | <u>-</u> | <u>44,377,012</u> |

| | | |
|----------------------|---------------------|----------------------|
| - | 1,753,095 | 1,753,095 |
| - | 6,218,921 | 6,218,921 |
| - | 854,507 | 854,507 |
| - | (431,991) | (431,991) |
| - | (257,216) | (257,216) |
| - | (260,331) | (260,331) |
| - | <u>7,876,985</u> | <u>7,876,985</u> |
| <u>\$ 44,377,012</u> | <u>\$ 7,876,985</u> | <u>\$ 52,253,997</u> |

| | | |
|-----------------------|-----------------------|-----------------------|
| \$ 10,804,825 | \$ - | \$ 10,804,825 |
| 17,620,661 | - | 17,620,661 |
| 2,507,213 | - | 2,507,213 |
| 8,075,355 | - | 8,075,355 |
| 3,477,517 | - | 3,477,517 |
| 2,949,430 | - | 2,949,430 |
| 1,589,837 | 1,242,363 | 2,832,200 |
| - | 329,872 | 329,872 |
| 2,699,062 | 600 | 2,699,662 |
| 52,433 | - | 52,433 |
| 427,740 | (427,740) | - |
| <u>50,204,073</u> | <u>1,145,095</u> | <u>51,349,168</u> |
| <u>94,581,085</u> | <u>9,022,080</u> | <u>103,603,165</u> |
| 263,904,363 | 172,397,819 | 436,302,182 |
| <u>\$ 358,485,448</u> | <u>\$ 181,419,899</u> | <u>\$ 539,905,347</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. Annual budgets are adopted with appropriations lapsing at year-end.

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, 2008**

| | GENERAL FUND | ARTERIAL STREET | CAPITAL IMPROVEMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------|---------------------|----------------------|--------------------------|--------------------------|
| ASSETS: | | | | | |
| CASH AND CASH EQUIVALENTS | \$ 8,839,983 | \$ 1,960,615 | \$ 11,706,497 | \$ 14,418,573 | \$ 36,925,668 |
| INVESTMENTS | 1,999,580 | - | 1,024,375 | 1,014,375 | 4,038,330 |
| RECEIVABLES: | | | | | |
| TAXES | 342,949 | - | - | - | 342,949 |
| CUSTOMER ACCOUNTS | 111,630 | 432 | 56,532 | 1,995 | 170,589 |
| OTHER RECEIVABLES | 2,587,064 | - | 25,825 | - | 2,612,889 |
| SPECIAL ASSESSMENTS | - | - | - | 646,408 | 646,408 |
| INTERFUND RECEIVABLE (Note 5) | - | - | 96,875 | - | 96,875 |
| LONG-TERM NOTES AND CONTRACTS | - | - | 585,126 | - | 585,126 |
| DUE FROM OTHER GOVERNMENTAL UNITS | 2,481,381 | 283,027 | - | 412,968 | 3,177,376 |
| DEFERRED CHARGES | - | - | - | 4,320 | 4,320 |
| TOTAL ASSETS | \$ 16,362,587 | \$ 2,244,074 | \$ 13,495,230 | \$ 16,498,639 | \$ 48,600,530 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| CURRENT PAYABLES | \$ 2,724,414 | \$ 263,944 | \$ 179,076 | \$ 1,003,808 | \$ 4,171,242 |
| CUSTOMER DEPOSITS | 227,062 | - | - | - | 227,062 |
| OTHER LIABILITIES PAYABLE | 242 | - | - | - | 242 |
| DEFERRED REVENUE | 339,778 | 428,393 | 610,951 | 646,408 | 2,025,530 |
| TOTAL LIABILITIES | 3,291,496 | 692,337 | 790,027 | 1,650,216 | 6,424,076 |
| FUND BALANCES: | | | | | |
| RESERVED FOR: | | | | | |
| DEBT SERVICE | - | - | - | 171,565 | 171,565 |
| ENDOWMENT | - | - | - | 1,336,000 | 1,336,000 |
| UNRESERVED, REPORTED IN: | | | | | |
| GENERAL FUND | 13,071,091 | - | - | - | 13,071,091 |
| SPECIAL REVENUE FUNDS | - | 1,551,737 | - | 12,911,633 | 14,463,370 |
| CAPITAL PROJECT FUNDS | - | - | 12,705,203 | 284,829 | 12,990,032 |
| PERMANENT FUND | - | - | - | 144,396 | 144,396 |
| TOTAL FUND BALANCES | 13,071,091 | 1,551,737 | 12,705,203 | 14,848,423 | 42,176,454 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 16,362,587 | \$ 2,244,074 | \$ 13,495,230 | \$ 16,498,639 | \$ 48,600,530 |

Total governmental fund balances as reported on this statement \$ 42,176,454

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. 304,363,380

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

| | | |
|---|-----------|-----------|
| Prepaid expenses | 1,530,966 | |
| Interest receivable on investments | 48,488 | |
| Unearned revenue beyond the city's 30-day measurable and available period | 339,778 | |
| Deferred charges for bond issue costs | 1,023 | |
| | 1,920,255 | 1,920,255 |

Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets. 17,209,359

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

| | | |
|--------------------------------------|-------------|-------------|
| Bonds and loans payable | (4,335,983) | |
| Interest payable | (30,469) | |
| Net pension obligation | 23,740 | |
| Net other postemployment obligations | (793,204) | |
| Compensated absences payable | (1,401,266) | |
| Capital lease payable | (646,798) | |
| | (7,184,000) | (7,184,000) |

Net assets of government activities as reported on the statement of net assets \$ 358,485,448

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, 2008

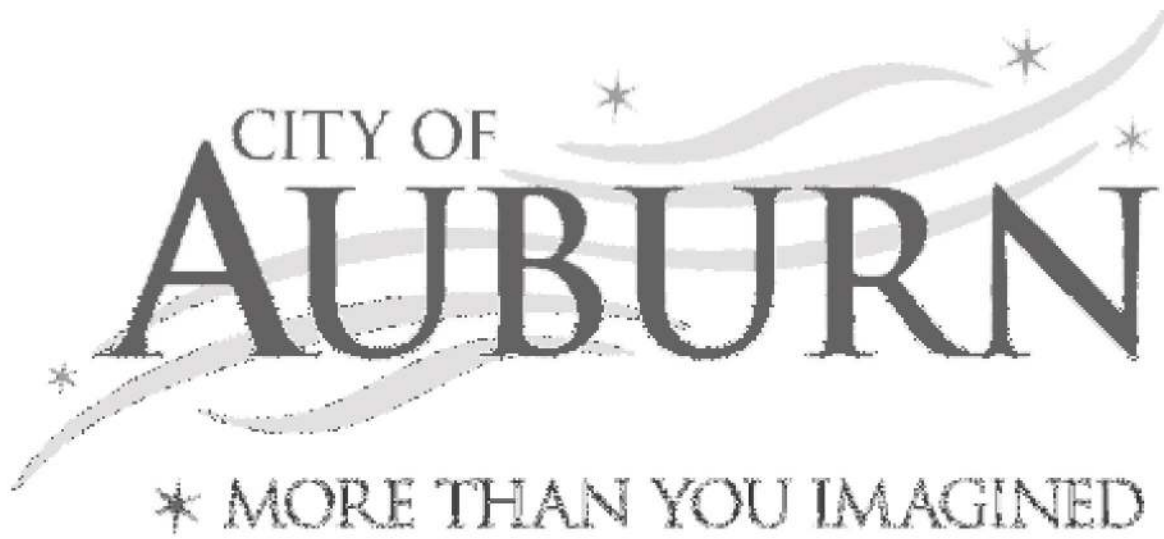
| | GENERAL FUND | ARTERIAL STREET | CAPITAL IMPROVEMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|----------------------|---------------------|------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | |
| TAXES: | | | | | |
| PROPERTY | \$ 9,757,999 | \$ - | \$ - | \$ 2,282,125 | \$ 12,040,124 |
| RETAIL SALES & USE | 17,620,661 | - | - | - | 17,620,661 |
| INTERFUND UTILITY | 2,324,625 | 182,588 | - | - | 2,507,213 |
| UTILITY | 7,487,823 | 587,532 | - | - | 8,075,355 |
| EXCISE | 1,160,700 | - | 2,230,280 | 86,537 | 3,477,517 |
| OTHER | - | - | - | 60,660 | 60,660 |
| LICENSES AND PERMITS | 1,110,722 | - | - | - | 1,110,722 |
| INTERGOVERNMENTAL | 5,788,294 | 1,062,911 | 4,875 | 1,513,808 | 8,369,888 |
| CHARGES FOR SERVICES | 2,397,025 | - | - | 1,387,519 | 3,784,544 |
| FINES AND FORFEITURES | 2,059,771 | - | - | - | 2,059,771 |
| SPECIAL ASSESSMENTS | - | - | - | 57,402 | 57,402 |
| INVESTMENT EARNINGS | 521,647 | 27,254 | 364,576 | 449,898 | 1,363,375 |
| MISCELLANEOUS | 849,839 | - | 154,595 | 291,915 | 1,296,349 |
| TOTAL REVENUES | 51,079,106 | 1,860,285 | 2,754,326 | 6,129,864 | 61,823,581 |
| EXPENDITURES: | | | | | |
| CURRENT: | | | | | |
| GENERAL GOVERNMENT | 7,010,742 | - | - | - | 7,010,742 |
| SECURITY OF PERSONS AND PROPERTY | 26,157,394 | - | 89,155 | 485,826 | 26,732,375 |
| PHYSICAL ENVIRONMENT | 3,490,636 | - | - | - | 3,490,636 |
| TRANSPORTATION | 2,784,963 | 3,757,294 | - | 2,368,710 | 8,910,967 |
| ECONOMIC ENVIRONMENT | 2,018,159 | - | - | 512,668 | 2,530,827 |
| HEALTH AND HUMAN SERVICES | 776,224 | - | - | - | 776,224 |
| CULTURE AND RECREATION | 6,296,743 | - | - | - | 6,296,743 |
| DEBT SERVICE: | | | | | |
| PRINCIPAL | 201,482 | 35,578 | - | 219,595 | 456,655 |
| INTEREST AND OTHER COSTS | 116,760 | 534 | - | 147,703 | 264,997 |
| CAPITAL OUTLAY | - | - | 2,494,212 | 2,284,122 | 4,778,334 |
| TOTAL EXPENDITURES | 48,853,103 | 3,793,406 | 2,583,367 | 6,018,624 | 61,248,500 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | |
| OVER (UNDER) EXPENDITURES | 2,226,003 | (1,933,121) | 170,959 | 111,240 | 575,081 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| SALES OF CAPITAL ASSETS | - | - | 2,698,677 | - | 2,698,677 |
| PROCEEDS OF LONG-TERM DEBT | - | 360,000 | - | - | 360,000 |
| PROCEEDS FROM CAPITAL LEASE | 17,728 | - | - | - | 17,728 |
| TRANSFERS IN (Note 5) | 643,132 | 2,283,396 | 2,644,800 | 1,814,754 | 7,386,082 |
| TRANSFERS OUT (Note 5) | (4,278,492) | - | (2,494,585) | (1,220,765) | (7,993,842) |
| TOTAL OTHER FINANCING SOURCES AND USES | (3,617,632) | 2,643,396 | 2,848,892 | 593,989 | 2,468,645 |
| NET CHANGE IN FUND BALANCES | (1,391,629) | 710,275 | 3,019,851 | 705,229 | 3,043,726 |
| FUND BALANCES - BEGINNING | 14,462,720 | 841,462 | 9,685,352 | 14,143,194 | 39,132,728 |
| FUND BALANCES - ENDING | \$ 13,071,091 | \$ 1,551,737 | \$ 12,705,203 | \$ 14,848,423 | \$ 42,176,454 |

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, 2008**

| | | |
|---|------------------|-----------------------------|
| Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance | | \$ 3,043,726 |
| 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 (\$10,296,604) exceeded depreciation (\$9,375,543) in the current period. | | 938,789 |
| Gain 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. | | (377,728) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | | |
| Deferred revenue | (1,254,723) | |
| Donation of property | - | |
| Amortization of bond premium | 3,138 | |
| Investment interest receivable | <u>(33,263)</u> | |
| | | (1,284,848) |
| 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. | | 91,416,052 |
| Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net assets. | | 432,060 |
| 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. | | 1,543,726 |
| 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 | (3,240) | |
| Amortization of prepaid expenses | (109,355) | |
| Change in accrued interest payable | 2,259 | |
| Change in net pension obligation | (25,213) | |
| Change in net other postemployment benefits | (793,204) | |
| Change in compensated absences payable | <u>(201,939)</u> | |
| | | (1,130,692) |
| Change in net assets on the Statement of Activities | | <u>\$ 94,581,085</u> |

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



MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

The Water Fund

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

The Sanitary Sewer Fund

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

The Storm Drainage Fund

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

The Solid Waste Fund

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

The Golf Course Fund

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

CITY OF AUBURN, WASHINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
 DECEMBER 31, 2008

| | 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 | \$ 6,696,075 | \$ 11,337,351 | \$ 6,328,751 | \$ 2,359,394 | \$ 221,139 | \$ 2,214,308 | \$ 29,156,008 | \$ 11,919,217 |
| INVESTMENTS | 3,112,826 | 2,003,750 | 1,052,500 | - | - | - | 6,169,076 | - |
| RESTRICTED CASH: | | | | | | | | |
| BONDS PAYMENTS | 1,009,122 | - | 442,329 | - | 26,726 | - | 1,478,177 | - |
| CUSTOMER DEPOSITS | 33,745 | 18,471 | - | - | - | 79,258 | 131,474 | - |
| OTHER | 468,199 | 738,017 | 479,991 | - | 264,590 | - | 1,950,797 | - |
| CUSTOMER ACCOUNTS | 768,978 | 1,636,060 | 720,823 | 1,173,651 | - | 3,909 | 4,303,421 | 20,200 |
| OTHER RECEIVABLES | 51,179 | 37,069 | 4,521 | - | - | - | 92,769 | - |
| DUE FROM OTHER GOVERNMENTAL UNITS | - | - | - | 55,024 | - | - | 55,024 | - |
| INVENTORIES | 242,852 | 8,968 | 8,764 | - | - | 8,455 | 269,039 | 143,945 |
| TOTAL CURRENT ASSETS | 12,381,978 | 15,779,686 | 9,037,679 | 3,588,059 | 512,455 | 2,305,930 | 43,605,785 | 12,083,362 |
| NONCURRENT ASSETS: | | | | | | | | |
| LONG-TERM CONTRACTS AND NOTES | - | 1,073,400 | - | - | - | 42,352 | 1,115,752 | - |
| CAPITAL ASSETS: | | | | | | | | |
| LAND | 897,971 | 1,654,958 | 5,698,254 | - | 2,229,638 | 3,996,179 | 14,464,998 | - |
| BUILDINGS AND EQUIPMENT | 3,113,583 | 1,131,744 | 201,255 | 496,618 | 6,570,141 | 5,237,808 | 16,750,947 | 13,089,916 |
| IMPROVEMENTS OTHER THAN BUILDINGS | 81,599,892 | 65,113,774 | 38,271,397 | - | 3,023,053 | 6,628,275 | 194,636,391 | 46,591 |
| CONSTRUCTION IN PROGRESS | 920,761 | 846,620 | 808,357 | - | - | 359,034 | 2,934,772 | 64,206 |
| LESS: ACCUMULATED DEPRECIATION | (32,146,881) | (15,200,016) | (12,887,006) | (277,337) | (2,082,876) | (6,500,764) | (69,094,880) | (7,482,490) |
| TOTAL CAPITAL ASSETS (NET OF A/D) | 54,385,326 | 53,547,080 | 32,080,257 | 219,281 | 9,739,954 | 9,720,330 | 159,692,228 | 5,698,223 |
| TOTAL NONCURRENT ASSETS | 54,385,326 | 54,620,480 | 32,080,257 | 219,281 | 9,739,954 | 9,762,882 | 160,807,980 | 5,698,223 |
| TOTAL ASSETS | 66,767,302 | 70,400,166 | 41,117,936 | 3,807,340 | 10,252,409 | 12,068,812 | 204,413,765 | 17,781,585 |
| LIABILITIES: | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | |
| CURRENT PAYABLES | 477,679 | 424,743 | 218,480 | 892,898 | 48,294 | 62,962 | 2,124,856 | 565,163 |
| CUSTOMER DEPOSITS | 33,745 | 18,471 | - | - | - | - | 52,216 | - |
| INTERFUND PAYABLES | - | - | - | - | 96,875 | - | 96,875 | - |
| EMPLOYEE LEAVE BENEFITS-CURRENT | 123,306 | 69,282 | 92,777 | 15,907 | 50,012 | 13,701 | 364,985 | 91,969 |
| REVENUE BONDS PAYABLE-CURRENT | 896,500 | - | 398,500 | - | - | - | 1,295,000 | - |
| GENERAL OBLIGATION BONDS PAYABLE-CURRENT | - | - | - | - | 180,000 | - | 245,000 | - |
| ACCRUED INTEREST | 138,825 | 13,183 | 43,829 | - | - | - | 195,837 | - |
| DEPOSITS | - | - | - | - | - | 79,257 | 79,257 | - |
| TOTAL CURRENT LIABILITIES | 1,670,055 | 525,679 | 753,586 | 908,805 | 375,181 | 220,820 | 4,454,126 | 657,132 |
| NONCURRENT LIABILITIES: | | | | | | | | |
| DEFERRED REVENUE | 42,200 | 162,203 | 597,204 | - | 57,092 | 42,352 | 901,051 | - |
| EMPLOYEE LEAVE BENEFITS | 15,208 | 8,545 | 11,443 | 1,962 | 6,168 | 1,680 | 45,016 | 11,343 |
| LOANS PAYABLE | 5,323,768 | 4,046,557 | - | - | - | - | 9,370,325 | - |
| REVENUE BONDS PAYABLE | 1,655,846 | - | 581,326 | - | - | - | 2,237,172 | - |
| GENERAL OBLIGATION BONDS PAYABLE | - | - | - | - | 4,133,266 | 1,756,661 | 5,889,927 | - |
| TOTAL OTHER NONCURRENT LIABILITIES | 7,037,022 | 4,217,305 | 1,188,973 | 1,962 | 4,196,526 | 1,800,703 | 18,443,491 | 11,343 |
| TOTAL LIABILITIES | 8,707,077 | 4,742,984 | 1,943,559 | 910,767 | 4,571,707 | 2,021,523 | 22,897,617 | 668,475 |
| NET ASSETS: | | | | | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 46,509,213 | 53,547,080 | 31,100,432 | - | 5,426,689 | 8,043,082 | 144,626,496 | 4,095,046 |
| RESTRICTED FOR: | | | | | | | | |
| DEBT SERVICE | 468,199 | - | 179,991 | - | - | - | 648,190 | - |
| CONSTRUCTION | - | 21,398 | - | - | 264,328 | - | 285,724 | - |
| UNRESTRICTED | 11,082,813 | 12,088,704 | 7,893,954 | 2,896,573 | (10,313) | 2,004,007 | 35,955,738 | 13,018,064 |
| TOTAL NET ASSETS | \$ 58,060,225 | \$ 65,657,182 | \$ 39,174,377 | \$ 2,896,573 | \$ 5,680,702 | \$ 10,047,089 | \$ 181,516,148 | \$ 17,113,110 |

Adjustment to reflect the consolidation of internal service funds related to enterprise funds (96,249)
 Net assets of business-type activities \$ 181,419,899

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, 2008

| | 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 | \$ 7,664,443 | \$ 13,601,390 | \$ 5,159,389 | \$ 10,294,411 | \$ 1,635,232 | \$ 1,455,318 | \$ 39,810,183 | \$ 7,135,162 |
| INTEREST | - | - | - | - | - | 2,363 | 2,363 | - |
| OTHER OPERATING REVENUE | - | 997 | 997 | - | 66,255 | 2,591 | 70,840 | 181,776 |
| TOTAL OPERATING REVENUES | 7,664,443 | 13,602,387 | 5,160,386 | 10,294,411 | 1,701,487 | 1,460,272 | 39,883,386 | 7,316,938 |
| OPERATING EXPENSES: | | | | | | | | |
| OPERATIONS & MAINTENANCE | 3,266,201 | 10,071,648 | 1,551,406 | 8,894,606 | 1,264,494 | 617,014 | 25,665,369 | 5,312,504 |
| ADMINISTRATION | 2,192,538 | 1,774,962 | 1,979,083 | 712,645 | 67,581 | 572,323 | 7,299,132 | 936,657 |
| DEPRECIATION/AMORTIZATION | 2,096,916 | 1,282,599 | 1,241,980 | 20,534 | 337,451 | 425,426 | 5,406,906 | 1,363,084 |
| OTHER OPERATING EXPENSES | 867,789 | 1,029,045 | 417,130 | 1,153,641 | 64,724 | 10,099 | 3,542,428 | - |
| TOTAL OPERATING EXPENSES | 8,425,444 | 14,158,254 | 5,189,599 | 10,781,426 | 1,734,250 | 1,624,862 | 41,913,835 | 7,612,245 |
| OPERATING INCOME (LOSS) | (761,001) | (555,867) | (29,213) | (487,015) | (32,763) | (164,590) | (2,030,449) | (295,307) |
| NON-OPERATING REVENUE (EXPENSE): | | | | | | | | |
| INTEREST REVENUE | 383,491 | 426,168 | 295,975 | 65,278 | 20,614 | 50,837 | 1,242,363 | 291,706 |
| OTHER NON-OPERATING REVENUES | 55,348 | - | 77,300 | 57,875 | 2,225 | 192,148 | 384,896 | 9,182 |
| GAIN ON SALE OF CAPITAL ASSETS | - | - | - | - | - | 600 | 600 | 385 |
| INTEREST EXPENSE | (137,855) | (20,807) | (37,224) | - | (224,453) | (95,741) | (516,080) | - |
| OTHER NON-OPERATING EXPENSES | (1,932) | (2,177) | - | - | - | - | (4,109) | - |
| TOTAL NON-OPERATING REVENUE (EXPENSE) | 299,052 | 403,184 | 336,051 | 123,153 | (201,614) | 147,844 | 1,107,670 | 301,273 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | (461,949) | (152,683) | 306,838 | (363,862) | (234,377) | (16,746) | (922,779) | 5,966 |
| CAPITAL CONTRIBUTIONS | 2,653,883 | 7,095,833 | 920,944 | - | - | - | 10,670,660 | 260,198 |
| TRANSFERS IN (Note 5) | - | - | - | - | 56,092 | 115,000 | 171,092 | 994,500 |
| TRANSFERS OUT (Note 5) | (50,000) | (50,000) | (159,100) | - | - | (339,732) | (598,832) | (15,000) |
| CHANGE IN NET ASSETS | 2,141,934 | 6,893,150 | 1,068,682 | (363,862) | (178,285) | (241,478) | 9,320,141 | 1,245,664 |
| TOTAL NET ASSETS BEGINNING OF YEAR | 55,918,291 | 58,764,032 | 38,105,695 | 3,260,435 | 5,858,987 | 10,288,567 | 172,196,007 | 15,867,445 |
| TOTAL NET ASSETS END OF YEAR | \$ 58,060,225 | \$ 65,657,182 | \$ 39,174,377 | \$ 2,896,573 | \$ 5,680,702 | \$ 10,047,089 | \$ 181,516,148 | \$ 17,113,109 |
| | | | | | | | 9,320,141 | |
| | | | | | | | Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (298,061) |
| | | | | | | | Change in net assets of business-type activities | \$ 9,022,080 |

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, 2008

| | 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 | \$ 7,635,074 | \$ 13,586,852 | \$ 4,929,187 | \$ 10,337,998 | \$ 1,701,487 | \$ 1,459,572 | \$ 39,650,170 | \$ 7,353,739 |
| CASH PAID TO SUPPLIERS | (2,499,652) | (10,698,658) | (1,402,454) | (9,098,466) | (678,804) | (602,201) | (24,980,235) | (2,718,078) |
| CASH PAID FOR TAXES | (867,789) | (1,029,044) | (417,130) | (1,153,641) | (64,724) | (10,099) | (3,542,427) | (33,125) |
| CASH PAID FOR INVENTORY | (19,812) | (4,638) | (1,167) | - | - | 513 | (25,103) | (1,024,191) |
| CASH PAID TO EMPLOYEES | (2,831,986) | (1,855,054) | (2,072,104) | (471,752) | (736,617) | (586,256) | (8,553,769) | (2,504,526) |
| OTHER CASH RECEIVED (PAID) | - | (15,356) | 2,932 | - | 15,731 | - | 3,307 | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 1,415,835 | (15,998) | 1,039,264 | (385,861) | 237,073 | 261,529 | 2,551,942 | 1,073,818 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | | | |
| INTERFUND LOAN PAYABLE | - | - | - | - | (37,500) | - | (37,500) | - |
| OPERATING GRANT RECEIVED | - | - | - | (11,761) | - | - | (11,761) | - |
| TRANSFERS IN | - | - | - | - | 56,092 | 115,000 | 171,092 | 994,500 |
| TRANSFERS OUT | (50,000) | (50,000) | (159,100) | - | - | (339,732) | (598,832) | (15,000) |
| NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES | (50,000) | (50,000) | (159,100) | (11,761) | 18,592 | (224,732) | (477,001) | 979,500 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | | | |
| PROCEEDS FROM SALE OF EQUIPMENT | 2,844 | - | - | - | - | 600 | 3,444 | 62,770 |
| PURCHASE OF CAPITAL ASSETS | (1,058,931) | (1,427,191) | (793,200) | - | (202,189) | (523,411) | (4,004,922) | (1,789,109) |
| CONTRIBUTED CAPITAL | 691,401 | 371,044 | 248,347 | - | - | - | 1,310,792 | 64,584 |
| CAPITAL GRANTS | - | - | 76,000 | - | - | - | 76,000 | - |
| PROCEEDS FROM OTHER GOVERNMENTS | - | 90,000 | - | 55,024 | - | 190,881 | 335,905 | - |
| PROCEEDS FROM INSURANCE SETTLEMENT | 619 | - | 1,300 | 2,851 | - | - | 4,770 | 8,560 |
| PREMIUM & BOND ISSUANCE COSTS | 11,841 | - | 5,118 | - | 4,666 | 9,772 | 31,397 | - |
| PRINCIPAL PAYMENT ON DEBT | (1,290,668) | (236,792) | (379,900) | - | (175,000) | (60,000) | (2,142,360) | - |
| INTEREST PAYMENT ON DEBT | (208,337) | (20,118) | (67,739) | - | (229,215) | (96,236) | (621,645) | - |
| OTHER CASH RECEIVED (PAID) | - | - | - | - | - | 1,267 | 1,267 | - |
| NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES | (1,851,231) | (1,223,057) | (910,074) | 57,875 | (601,736) | (477,127) | (5,005,351) | (1,653,195) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | | | | | | |
| PROCEEDS FROM SALE OF INVESTMENTS | 4,003,125 | 4,038,131 | 3,485,344 | 1,001,290 | - | - | 12,527,890 | 1,001,250 |
| PURCHASE OF INVESTMENTS | (3,075,000) | (2,036,213) | (1,000,000) | (950) | - | - | (6,112,163) | - |
| INTEREST RECEIVED | 327,925 | 413,788 | 306,323 | 85,139 | 20,614 | 50,837 | 1,204,626 | 285,912 |
| NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES | 1,256,050 | 2,415,706 | 2,791,667 | 1,085,479 | 20,614 | 50,837 | 7,620,353 | 1,287,162 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | | | |
| CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR | 7,435,486 | 10,967,087 | 4,489,314 | 1,613,651 | 837,914 | 2,683,057 | 28,026,509 | 10,231,932 |
| CASH AND CASH EQUIVALENTS-END OF YEAR | \$ 8,206,141 | \$ 12,093,839 | \$ 7,251,071 | \$ 2,359,383 | \$ 512,455 | \$ 2,293,564 | \$ 32,716,453 | \$ 11,919,217 |
| CASH AT END OF YEAR CONSISTS OF: | | | | | | | | |
| CASH AND CASH EQUIVALENTS | \$ 6,695,075 | \$ 11,337,351 | \$ 6,328,751 | \$ 2,359,383 | \$ 221,139 | \$ 2,214,308 | \$ 29,156,007 | \$ 11,919,217 |
| RESTRICTED CASH-BOND PAYMENTS | 1,477,321 | 738,017 | 922,320 | - | 26,726 | - | 3,164,384 | - |
| RESTRICTED CASH-CUSTOMER DEPOSITS | 33,745 | 18,471 | - | - | 264,590 | 79,256 | 396,062 | - |
| TOTAL CASH | \$ 8,206,141 | \$ 12,093,839 | \$ 7,251,071 | \$ 2,359,383 | \$ 512,455 | \$ 2,293,564 | \$ 32,716,453 | \$ 11,919,217 |

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, 2008

| | 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) | \$ (761,001) | \$ (555,867) | \$ (29,213) | \$ (487,015) | \$ (32,763) | \$ (164,590) | \$ (2,030,448) | \$ (295,307) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | | | | |
| DEPRECIATION | 2,098,916 | 1,282,599 | 1,241,980 | 20,534 | 337,452 | 425,425 | 5,406,906 | 1,363,084 |
| ASSET (INCREASES) DECREASES : | | | | | | | | |
| ACCOUNTS RECEIVABLE | (19,449) | (15,535) | (231,199) | 43,587 | - | - | (222,595) | 36,801 |
| INVENTORY | (19,812) | (4,638) | (1,167) | - | - | 513 | (25,103) | (8,671) |
| LIABILITY (INCREASES) DECREASES : | | | | | | | | |
| ACCOUNTS & VOUCHERS PAYABLE | 126,629 | (741,725) | (21,340) | 32,238 | (92,776) | 5,692 | (691,283) | (52,134) |
| DEPOSITS PAYABLE | (9,920) | (15,358) | - | - | - | 1,891 | (23,385) | - |
| WAGES & BENEFITS PAYABLE | (24,386) | 23,507 | 49,955 | 1,490 | 281 | (1,791) | 49,056 | 20,319 |
| COMPENSATED ABSENCES PAYABLE | 24,858 | 11,117 | 30,248 | 3,305 | 9,148 | (5,611) | 73,065 | 9,727 |
| DEFERRED REVENUE | - | - | - | - | 15,731 | - | - | - |
| TOTAL ADJUSTMENTS | 2,176,837 | 539,969 | 1,068,477 | 101,154 | 269,836 | 426,119 | 4,582,391 | 1,369,126 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 1,415,835 | \$ (15,898) | \$ 1,039,264 | \$ (385,861) | \$ 237,073 | \$ 261,529 | \$ 2,551,942 | \$ 1,073,819 |
| SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | | | | | |
| CAPITAL ASSETS ACQUIRED BY CONTRIBUTED CAPITAL | \$ 2,014,367 | \$ 6,724,789 | \$ 672,597 | \$ - | \$ - | \$ - | \$ 9,411,753 | \$ 131,030 |
| INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENT | 37,826 | 4,750 | 30,500 | - | - | - | 73,076 | - |
| TOTAL NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | \$ 2,052,193 | \$ 6,729,539 | \$ 703,097 | \$ - | \$ - | \$ - | \$ 9,484,829 | \$ 131,030 |

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, 2008

| | FIRE RELIEF PENSION TRUST FUND | AGENCY FUND |
|--|---|---------------------|
| ASSETS: | | |
| CASH AND CASH EQUIVALENTS | \$ 1,807,664 | \$ 1,566,226 |
| INVESTMENTS | 1,134,354 | - |
| RECEIVABLES: | | |
| CUSTOMER ACCOUNTS | - | 5,321 |
| INTEREST | 3,437 | - |
| DUE FROM OTHER GOVERNMENTAL UNITS | - | 2,613 |
| TOTAL ASSETS | \$ 2,945,455 | \$ 1,574,160 |
| LIABILITIES: | | |
| CURRENT PAYABLES | \$ 4,688 | \$ 1,574,160 |
| TOTAL LIABILITIES | 4,688 | 1,574,160 |
| NET ASSETS: | | |
| HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES | \$ 2,940,766 | \$ - |

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, 2008

| | FIRE RELIEF PENSION TRUST FUND |
|---|---|
| ADDITIONS: | |
| FIRE INSURANCE PREMIUMS-TRANSFERRED FROM GENERAL FUND | \$ 56,000 |
| INVESTMENT EARNINGS | 115,948 |
| TOTAL ADDITIONS | 171,948 |
| DEDUCTIONS: | |
| BENEFIT PAYMENTS | 86,317 |
| PROFESSIONAL SERVICES | - |
| ADMINISTRATIVE EXPENSES | 43,833 |
| TOTAL DEDUCTIONS | 130,150 |
| CHANGE IN NET ASSETS | 41,798 |
| NET ASSETS - BEGINNING | 2,898,968 |
| NET ASSETS - ENDING | \$ 2,940,766 |

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

City of Auburn

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

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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 Venture - Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 as modified by GASB Statement No. 34, the Valley Communications Center is included in the accompanying government-wide statement of net assets as a joint venture. (Please refer to Notes 7 and 15).

Jointly Governed Organization - 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 City of Auburn is fiscal agent for the VRFA, and as such activity for the VRFA is accounted for in the City's agency fund.

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 fund financial statements, which include balance sheets, statements of revenues, expenditures and changes in fund balances, budget and actual statements, and statements 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 balance sheets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. The proprietary fund 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.

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 chosen to apply 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.

- 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.

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 biannually 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.

Amounts shown in the accompanying financial statements represent the original budgeted amounts and all supplemental appropriations.

| ORIGINAL AND SUPPLEMENTAL APPROPRIATIONS | | | |
|--|----------------------|----------------------|----------------------|
| | Original Budget | Revisions | Final Budget |
| Governmental funds | | | |
| General fund | \$ 44,827,000 | \$ 14,805,982 | \$ 59,632,982 |
| Total governmental funds | 44,827,000 | 14,805,982 | 59,632,982 |
| Special revenue funds: | | | |
| Local street | 1,200,000 | 1,395,000 | 2,595,000 |
| Arterial street | 3,638,400 | 4,142,700 | 7,781,100 |
| Hotel/motel tax | 75,000 | 47,000 | 122,000 |
| Drug forfeiture fund | 181,200 | 79,400 | 260,600 |
| Local Law Enforcement Block Grant | 29,000 | - | 29,000 |
| Housing and Community Development | 409,800 | - | 409,800 |
| Business Improvement Area | 53,500 | 20,000 | 73,500 |
| Mitigation fees | 909,000 | 771,200 | 1,680,200 |
| Total special revenue funds | 6,495,900 | 7,491,500 | 13,987,400 |
| Total budgeted funds | \$ 51,322,900 | \$ 22,297,482 | \$ 73,620,382 |

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, 2008, the Local Government Investment Pool (LGIP) was holding \$77,340,548 in short-term investments. This amount is classified on the balance sheet 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.

The City, by state law, is authorized to purchase certificates of deposit issued by Washington State depositories that participate in the state investment pool, 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.

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 |
| Improvement | \$5,000 | Straight-line | 10 - 50 years |
| Equipment | \$5,000 | Straight-line | 3 - 20 years |
| Infrastructure | \$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 the premium, discount and issuance costs of revenue bonds that are amortized over the life of the bond issue. Deferred credits and charges also 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.

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 reserved in connection with restricted assets or for legal segregation. These reserves are identified on the balance sheet 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, 2008, the carrying amount of the City's cash demand deposits with Key Bank totaled \$8,656,392 while the bank balance was \$8,454,758. In addition, there was \$10,000 in the Drug Forfeiture Fund to be used for enforcement purposes, and \$6,325 in various petty cash and cashier change funds.

The Federal Deposit Insurance Corporation (FDIC) insures the City's deposits up to \$100,000 and the Washington Public Deposit Protection Commission (WPDPC) insures amounts over \$100,000. The WPDPC is a multiple financial institution collateral arrangement, which provides for additional assessments against members of the pool on a pro rata basis.

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. 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, 2008 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.

During 2008, the net decrease in the fair value of investments being held for more than one year is \$144,694 at year-end.

As of December 31, 2008, the City had the following investments and maturities:

SCHEDULE OF INVESTMENTS BY MATURITIES
AS OF DECEMBER 31, 2008

| 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 | \$ 77,340,548 | \$ 77,340,548 | \$ - | \$ - | \$ - |
| US Treasuries | 93,729 | - | - | - | 93,729 |
| US Agencies | 11,248,031 | 10,195,531 | 1,052,500 | - | - |
| | <u>\$ 88,682,308</u> | <u>\$ 87,536,079</u> | <u>\$ 1,052,500</u> | <u>\$ -</u> | <u>\$ 93,729</u> |
| Reconciliation to government-wide statement of net assets: | | | | | |
| Total investments above | \$ 88,682,308 | | | | |
| Plus: cash in checking and petty cash | 7,594,684 | | | | |
| Less: cash investments in fiduciary funds | (4,508,244) | | | | |
| Total cash and investments, government-wide statement of net assets | <u>\$ 91,768,748</u> | | | | |

Interest Rate Risk

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

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, 2008, the City had investments in a limited number of investment instruments as follows:

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

With the exception of the State Local Government Investment Pool, which is not rated, all of the investments above carried a rating of AAA by Standard & Poor's rating service at December 31, 2008.

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, 2008

| | State Investment Pool | U.S. Securities | Total |
|----------------------------|-----------------------------|----------------------|----------------------|
| General Fund | \$ - | \$ 1,999,580 | \$ 1,999,580 |
| Capital Project Funds | - | 1,024,375 | 1,024,375 |
| Permanent Funds | - | 1,014,375 | 1,014,375 |
| Enterprise Funds | - | 6,169,076 | 6,169,076 |
| Fiduciary Funds | - | 1,134,354 | 1,134,354 |
| Treasurer's Residual Funds | 77,340,548 | - | 77,340,548 |
| Total | \$ 77,340,548 | \$ 11,341,760 | \$ 88,682,308 |

NOTE 4 – PROPERTY TAXES

Property taxes received during tax year 2008 were \$10,827,132, including collection of prior year delinquent assessments. Property taxes assessed for collection in tax year 2008 were based on a regular tax levy of \$1.48 per \$1,000 on a total 2007 assessed value of \$6,526,294,998.

For levy year 2008, to be received in 2009, the City's regular tax levy is \$1.48 per \$1,000 on a 2008 assessed valuation of \$8,719,721,892, as of December 31, 2008, for a total regular levy of

\$12,964,308. 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, 2008, 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 | \$ 130,795,828 | \$ 87,197,219 | \$ 217,993,047 | \$ 217,993,047 | \$ 653,979,142 |
| Outstanding indebtedness | (13,854,520) | - | - | - | (13,854,520) |
| Assets available | 3,125,168 | - | - | - | 3,125,168 |
| Margin available | \$ 120,066,476 | \$ 87,197,219 | \$ 217,993,047 | \$ 217,993,047 | \$ 643,249,789 |

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 activities, 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 2008. 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 | \$ 4,278,492 | \$ 643,132 |
| Special revenue funds: | | |
| City street fund | | |
| Local street fund | - | 375,000 |
| Arterial street fund | - | 2,283,396 |
| Local Law Enforce Block Grants | - | 2,600 |
| Recreational trails | - | 5,100 |
| Cumulative reserve | 256,843 | - |
| Mitigation fees | 794,122 | - |
| Total special revenue funds | 1,050,965 | 2,666,096 |
| Debt service funds: | | |
| 1998 library GO | - | 307,200 |
| LID guarantee | 54,800 | - |
| Total debt service funds | 54,800 | 307,200 |
| Capital projects funds: | | |
| Park construction | - | 1,124,854 |
| Capital improvement projects | 2,494,585 | 2,644,800 |
| Total capital projects funds | 2,494,585 | 3,769,654 |
| Proprietary funds: | | |
| Water | 50,000 | - |
| Sewer | 50,000 | - |
| Storm drainage | 159,100 | - |
| Cemetery | - | 115,000 |
| Golf course | - | 56,092 |
| Commercial retail | 339,732 | - |
| Total proprietary funds | 598,832 | 171,092 |
| Internal service funds: | | |
| Information services | 8,000 | 273,900 |
| Equipment rental | 7,000 | 720,600 |
| Total internal service funds | 15,000 | 994,500 |
| Fiduciary funds: | | |
| Fire pension & relief fund | - | 56,000 |
| Permanent funds: | | |
| Cemetery endow ed care | 115,000 | - |
| Total | \$ 8,607,674 | \$ 8,607,674 |

All transfers are considered routine.

Loans between funds are classified as interfund loans receivable and payable or advances to and from other funds on the balance sheet, depending on the time period for which the loan was made. Interfund loans do not affect total fund equity.

| Interfund Loans | | Balance | | | Balance |
|------------------------------|-----------------------|-------------------|------------------|-------------------|------------------|
| Due From | Due To | 1/1/2008 | New Loans | Repayments | 12/31/2008 |
| Golf course fund | Capital projects fund | \$ 134,375 | \$ 83,000 | \$ 120,500 | \$ 96,875 |
| Park construction fund | General fund | 150,000 | | 150,000 | - |
| Comm Dev Blk Grant | General fund | 59,000 | - | 59,000 | - |
| Local Law Blk Grant | General fund | 20,000 | | 20,000 | - |
| Total interfund loans | | \$ 363,375 | \$ 83,000 | \$ 349,500 | \$ 96,875 |

All interfund loans are considered short-term cash loans.

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

As of December 31, 2008, the City had receivables due from other governmental units as follows:

Due from Other Governmental Units

General fund:

| | |
|--|------------------|
| WA State Treasurer - Sales taxes | \$ 1,108,457 |
| WA Auto Theft Prevention Authority - Auto theft prevention grant | 22,455 |
| WA State Administrative Office of the Courts | 9,039 |
| King County - Road tax | 1,130,867 |
| King County - 4 Culture -Arts sustained support grant | 17,000 |
| King County - Real estate excise taxes | 167,448 |
| Pierce County - Real estate excise taxes | 15,490 |
| King County Sheriff's Registered Sex Offender grant | 10,625 |
| Total general fund | 2,481,381 |

Arterial street fund:

| | |
|---|---------|
| WA Dept. of Transportation - Arterial street improvements | 283,027 |
|---|---------|

Drug Forfeiture Fund:

| | |
|---|--------|
| Tacoma Narcotics Enforcement Team grant | 13,993 |
|---|--------|

Local law enforcement block grant:

| | |
|--|--------|
| U.S. Dept. of Justice - Justice assistance grant | 26,235 |
|--|--------|

Housing & community development:

| | |
|---|--------|
| U.S. Dept. of Housing - Community development block grant | 29,163 |
|---|--------|

Municipal park construction:

| | |
|--|---------|
| WA Recreation and Conservation Office - Park imp. grants | 343,577 |
|--|---------|

Solid waste fund:

| | |
|--|---------------|
| King County - Local hazardous waste management grant | 16,206 |
| King County - Waste reduction and recycling grant | 38,818 |
| Total solid waste fund | 55,024 |

Agency disbursement fund:

| | |
|---------------------------------------|--------------|
| Bail Trust | 362 |
| City of Algona - Court administration | 2,251 |
| Total agency disbursement fund | 2,613 |

| | |
|--------------|---------------------|
| Total | \$ 3,235,013 |
|--------------|---------------------|

Reconciliation to government-wide statement of net assets:

| | |
|---|---------------------|
| Total above due from other governmental units | \$ 3,235,013 |
| Amount due to fiduciary fund | (2,613) |
| Total due from other governmental units, government-wide statement of net assets | \$ 3,232,400 |

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2008 is as follows:

| Schedule of Capital Asset Activity | | | | |
|---|-----------------------|-----------------------|---------------------------|-----------------------|
| | Balance 1/1/08 | Increases | Decreases/ Adjustments | Balance 12/31/08 |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 48,969,057 | \$ 56,547,239 | \$ (378,549) | \$ 105,137,747 |
| Construction in progress | 3,526,421 | 5,430,522 | (3,462,216) | 5,494,727 |
| Total capital assets, not being depreciated | 52,495,478 | 61,977,761 | (3,840,765) | 110,632,474 |
| Capital assets, being depreciated: | | | | |
| Buildings | 24,204,348 | 271,757 | (846,785) | 23,629,320 |
| Improvements other than buildings | 12,322,974 | 1,260,579 | - | 13,583,553 |
| Machinery and equipment | 14,948,288 | 2,141,720 | (350,088) | 16,739,920 |
| Joint venture | 3,849,690 | 390,928 | - | 4,240,618 |
| Intangibles | 695,504 | 17,728 | (1) | 713,231 |
| Infrastructure | 191,186,630 | 43,492,419 | - | 234,679,049 |
| Total capital assets being depreciated | 247,207,434 | 47,575,131 | (1,196,874) | 293,585,691 |
| Less: accumulated depreciation for: | | | | |
| Buildings | (7,414,815) | (7,818) | (636,713) | (8,059,346) |
| Improvements other than buildings | (8,245,704) | (2,544) | (377,668) | (8,625,916) |
| Machinery and equipment | (8,839,280) | (1,352,722) | 66,000 | (10,126,002) |
| Joint venture | (963,902) | - | - | (963,902) |
| Intangibles | (46,367) | - | (50,231) | (96,598) |
| Infrastructure | (57,045,958) | - | (9,238,840) | (66,284,798) |
| Total accumulated depreciation | (82,556,026) | (1,363,084) | (10,237,452) | (94,156,562) |
| Total capital assets, being depreciated, net | 164,651,408 | 46,212,047 | (11,434,326) | 199,429,129 |
| Governmental activities capital assets, net | \$ 217,146,886 | \$ 108,189,808 | \$ (15,275,091) | \$ 310,061,603 |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 14,158,803 | \$ 306,195 | \$ - | \$ 14,464,998 |
| Construction in progress | 5,979,274 | 3,394,959 | (6,439,462) | 2,934,771 |
| Total capital assets, not being depreciated | 20,138,077 | 3,701,154 | (6,439,462) | 17,399,769 |
| Capital assets, being depreciated: | | | | |
| Buildings | 12,784,732 | 159,350 | - | 12,944,082 |
| Improvements other than buildings | 178,919,442 | 15,716,951 | - | 194,636,393 |
| Machinery and equipment | 3,546,173 | 277,296 | (16,606) | 3,806,863 |
| Total capital assets being depreciated | 195,250,347 | 16,153,597 | (16,606) | 211,387,338 |
| Less: accumulated depreciation for: | | | | |
| Buildings | (4,117,934) | (371,171) | - | (4,489,105) |
| Improvements other than buildings | (57,082,044) | (4,905,514) | - | (61,987,558) |
| Machinery and equipment | (2,504,105) | (130,222) | 16,102 | (2,618,225) |
| Total accumulated depreciation | (63,704,083) | (5,406,907) | 16,102 | (69,094,888) |
| Total capital assets, being depreciated, net | 131,546,264 | 10,746,690 | (504) | 142,292,450 |
| Business-type activities capital assets, net | \$ 151,684,341 | \$ 14,447,844 | \$ (6,439,966) | \$ 159,692,219 |

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

| | |
|--|----------------------|
| Governmental activities: | |
| General government | \$ 243,097 |
| Public safety | 413,877 |
| Transportation | 9,046,907 |
| Physical environment | 63,629 |
| Culture and recreation | 728,035 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | 1,362,558 |
| Total depreciation/amortization expense - governmental activities | \$ 11,858,103 |
| Business-type activities: | |
| Water | \$ 2,098,916 |
| Sanitary sewer | 1,282,599 |
| Storm water | 1,241,980 |
| Solid waste | 20,534 |
| Golf course | 337,451 |
| Airport | 224,961 |
| Cemetery | 79,957 |
| Commercial retail | 120,508 |
| Total depreciation expense - business-type activities | \$ 5,406,906 |

NOTE 8 – CAPITAL LEASE OBLIGATION

During 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 |
|---|-------------------|
| 2009 | \$ 71,524 |
| 2010 | 71,524 |
| 2011 | 71,524 |
| 2012 | 71,524 |
| 2013-2017 | 357,621 |
| 2018-2021 | 286,097 |
| Total minimum lease payments | 929,815 |
| Less: Amounts representing interest | (267,405) |
| Present value of future minimum lease payments | \$ 662,410 |

As of December 31, 2008, the value of capital assets acquired under the capital lease is \$616,633. Monthly lease payments of \$5,960 are payable through the end of the lease period on December 1, 2021. Interest on the lease was imputed at five percent plus an annual inflation adjustment based on the U.S. CPI-W index.

NOTE 9 – RECORDED VACATION, SICK LEAVE, AND POSTEMPLOYMENT BENEFITS

In accordance with GASB Statement No. 16, the City accrues vacation and sick leave pay. The accrual is shown on the government-wide statement of net assets for both governmental and proprietary funds. The accrual is also seen in the separate proprietary fund balance sheets, but is excluded from the separate governmental fund balance sheets since it is not currently due and payable at year-end (please refer to Note 11).

In addition to pension benefits described in Note 10, the City provides postemployment benefits, in accordance with state statutes, to all LEOFF 1 retirees. Currently, 65 retirees meet the eligibility requirements. The City provides long-term care, medical insurance, and reimburses all validated claims for medical, dental and hospitalization costs incurred by retirees. Expenditures for postretirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$919,019 were recognized for postemployment health care. This represents a decrease of \$101,274 from the previous year.

NOTE 10 – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3Plan 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 participants 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 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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 annual benefit is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. 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 additional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

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 benefit calculated at one percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, 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 to retire with full benefits at age 65, or at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice 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.

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 Employee Retirement Benefits Board.

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). 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% 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 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

| | |
|--|----------------|
| Retirees and Beneficiaries Receiving Benefits | 71,244 |
| Terminated Plan Members Entitled to but not yet Receiving Benefits | 26,583 |
| Active Plan Members Vested | 105,447 |
| Active Plan Members Non-vested | <u>52,575</u> |
| Total | 255,849 |

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 Employee Retirement Benefits Board 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, 2008, were as follows:

Members not participating in JBM:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|-----------|-------------|-------------|-------------|
| Employer* | 8.31%** | 8.31%** | 8.31%*** |
| Employee | 6.00%**** | 5.45%**** | ***** |

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

- ** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% 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 5.45% 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* | 8.31% | 8.31% | 8.31%** |
| Employee | 12.26% | 13.63% | 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 City 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 |
|------|-------------|-------------|-------------|
| 2008 | \$54,719 | \$1,173,956 | \$238,108 |
| 2007 | \$49,744 | \$765,172 | \$144,898 |
| 2006 | \$37,733 | \$386,786 | \$65,820 |

The increase in contributions each year is primarily due to an increase in the employer contribution rate. The employer contribution rate for the City was 3.69% in 2006, 6.13% in 2007, and 8.31% in 2008.

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 participants 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 state statute and may be amended 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 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. 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.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

| | |
|--|---------------|
| Retirees and Beneficiaries Receiving Benefits | 9,085 |
| Terminated Plan Members Entitled to but not yet Receiving Benefits | 633 |
| Active Plan Members Vested | 12,904 |
| Active Plan Members Non-vested | <u>3,708</u> |
| Total | 26,330 |

Funding Policy

Starting on July 1, 2000, 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, 2008, were as follows:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|-----------|--------------|--------------|
| Employer* | 0.16% | 5.46%** |
| Employee | 0.00% | 8.83% |

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

** The employer rate for ports and universities is 8.99%.

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 |
|------|--------------|--------------|
| 2008 | \$221 | \$459,489 |
| 2007 | \$216 | \$382,356 |
| 2006 | \$1,049 | \$585,329 |

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: 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 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: OR
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; OR
- have 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 state statute and may be amended only by the State Legislature.

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.

There are 71 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2007:

| | |
|--|--------------|
| Retirees and Beneficiaries Receiving Benefits | - |
| Terminated Plan Members Entitled to but not yet Receiving Benefits | - |
| Active Plan Members Vested | - |
| Active Plan Members Non-vested | <u>2,755</u> |
| Total | 2,755 |

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, 2008, were as follows:

| | PSERS Plan 2 |
|-----------|-----------------|
| Employer* | 9.43% |
| Employee | 6.57% |

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

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

| | PSERS Plan 2 |
|------|-----------------|
| 2008 | \$ 57,147 |
| 2007 | \$ 48,549 |
| 2006 | \$ 7,225 |

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, 2007 that no future City contributions would be required beyond future revenues from state fire insurance taxes and interest earnings. 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. 26 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% | \$0 | N/A |

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

Prior to adoption of GASB Statement No. 25 in 1997, the Annual Required Contribution (ARC) was not determined pursuant to the parameters required by the statement. Therefore, no liability prior to 1997 has been shown.

**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 | \$0 | N/A |
| December 31, 2002 | \$40,869 | \$0 | N/A |
| December 31, 2003 | \$45,664 | \$0 | 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 |

**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) |

**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 | \$0 | (\$3,417) | (\$3,758) | 12.99% | \$341 | \$37,281 | (\$36,940) | (\$85,748) |
| 12/31/2002 | \$0 | (\$6,002) | (\$6,686) | 12.83% | \$684 | \$40,869 | (\$40,185) | (\$125,933) |
| 12/31/2003 | \$0 | (\$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) |

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

⁽²⁾ 8.00% interest rate was used for years prior to January 1, 1999; 7.00% thereafter.

⁽³⁾ The Net Pension Obligation (NPO) balance is reflected as part of Deferred Credits on the Government-wide Statement of Net Assets

* 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, 2007 |
| Actuarial cost method | Entry age normal |
| Amortization method | 30-year, closed as of January 1, 1999 |
| Remaining amortization period | 22 years |
| Asset valuation method | Fair market value |

Actuarial Assumptions

| | |
|----------------------------|----|
| Investment rate of return | 5% |
| Projected salary increases | 4% |
| Cost-of living adjustments | 3% |

Postemployment Benefits (OPEB) Other Than Pensions for LEOFF 1

Plan Description

In addition to the pension benefits described above the City is required to pay post employment benefits in accordance with Revised Code of Washington (RCW) Chapter 41.16, all medical, hospital, and nursing 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, hospital, and nursing 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 necessary hospital, medical, and nursing care expenses not payable by workers' compensation, Social Security, etc, are covered.

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements.

LEOFF 1 RETIREE MEDICAL BENEFITS
GASB STATEMENTS No. 43 and No. 45 SCHEDULE OF FUNDING PROGRESS
 (rounded to thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liabilities | Unfunded Actuarial Accrued Liabilities (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------|---------------------------|-------------------------------|---|--------------|-----------------|---|
| January 1, 2008 | \$0 | \$20,738 | \$20,738 | 0.00% | N/A | N/A % |

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment 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>12/31/2008</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 | \$ - |
| 6. Adjustment to ARC | <u>-</u> |
| 7. Annual OPEB Cost | \$ 1,712,223 |
| 8. Employer Contributions | 919,019 |
| 9. Change in Net OPEB Obligation | <u>793,204</u> |
| 10. Net OPEB Obligation at beginning of year | - |
| 11. Net OPEB Obligation at end of year | \$ 793,204 |

The City's annual OPEB cost, the percentage of OPEB costs contributed to the plan, and the net OPEB obligation for 2008 were as follows:

| Fiscal Year Ending | Annual OPEB Cost | Contributions as a Percentage of Annual OPEB Cost | Net OPEB Obligation |
|--------------------|---------------------|---|------------------------|
| December 31, 2008 | \$ 1,712,223 | 54% | \$ 793,204 |

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$20.7 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$20.7 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, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 5.0% 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.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2008 was 21 years.

NOTE 11 – 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 \$644.35 per month for non-Medicare enrolled retiree-only coverage, \$1,288.70 for non-Medicare enrolled retiree and spouse coverage, \$987.25 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$685.80 for Medicare-enrolled retiree and spouse coverage.

Participating Employers are contractually required to contribute at a rate assessed each year by Trust, currently 12.2 percent of annual covered payroll. The City’s contributions to the Trust for the year ended December 31, 2008, was \$4.2 million, which equaled the required contributions of that year.

NOTE 12 – 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 20-year bonds mature in 2018 and are paid from the Debt Service fund.
- 1999 Limited Tax General Obligation bonds were issued for construction of hangars at the Auburn Municipal Airport. These 20-year bonds mature in 2019 and are paid from the Airport fund.

- Valley Communication Center 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.
- 2005 Limited Tax General Obligation refunding bonds were issued to partially advance refund the 1999 Limited Tax Obligation bonds.
- 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.

Revenue Bonds are payable from water 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 seven outstanding loans with a remaining total balance of \$9,801,401. Six 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 4-year period that began in 2007 upon project completion.

The following schedules summarize the long-term debt transactions of the City for the year ended December 31, 2008. 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 DEBT SUMMARY

| | General Obligation | Utility | Special Assessment | Employee Leave Benefit | Deferred Charges | Total |
|---------------------------------|-----------------------|---------------|-----------------------|---------------------------|------------------|---------------|
| Long-term debt payable 12/31/07 | \$ 11,313,553 | \$ 14,879,419 | \$ 36,827 | \$ 1,629,872 | \$ (24,632) | \$ 27,835,039 |
| Added | 377,728 | - | - | 1,780,848 | - | 2,158,576 |
| Retired | (631,482) | (1,942,938) | - | (1,496,122) | 10,707 | (4,059,835) |
| Long-term debt payable 12/31/08 | \$ 11,059,799 | \$ 12,936,481 | \$ 36,827 | \$ 1,914,598 | \$ (13,925) | \$ 25,933,780 |

DEBT SERVICE REQUIREMENT TO MATURITY

| YEAR | General Obligation Bonds | | Capital Lease Obligation | | Utility Bonds/Loans | | Special Assessments | | Employee Leave Benefits | Total Long-Term Debt | |
|---------------|-----------------------------|---------------------|-----------------------------|-------------------|------------------------|---------------------|------------------------|------------------|----------------------------|-------------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Principal | Interest |
| 2009 | 625,000 | 469,878 | 36,247 | 31,517 | 2,002,938 | 218,483 | - | 2,558 | 1,704,389 | 4,368,573 | 722,435 |
| 2010 | 669,000 | 439,857 | 38,101 | 29,662 | 982,938 | 151,371 | - | 2,558 | 21,021 | 1,711,060 | 623,448 |
| 2011 | 718,000 | 408,540 | 40,050 | 27,713 | 982,360 | 135,789 | - | 2,558 | 21,021 | 1,761,431 | 574,589 |
| 2012 | 752,000 | 374,719 | 42,099 | 25,664 | 997,360 | 119,685 | 36,827 | 2,558 | 21,021 | 1,849,307 | 522,624 |
| 2013 | 795,000 | 339,292 | 44,253 | 23,510 | 1,002,360 | 102,981 | - | - | 21,021 | 1,862,634 | 465,782 |
| 2014 | 831,000 | 300,712 | 46,517 | 21,246 | 1,017,360 | 86,076 | - | - | 21,021 | 1,915,898 | 408,034 |
| 2015 | 873,000 | 259,514 | 48,897 | 18,866 | 1,032,360 | 66,135 | - | - | 21,021 | 1,975,278 | 344,515 |
| 2016 | 885,000 | 215,340 | 51,399 | 16,364 | 1,047,360 | 45,668 | - | - | 21,021 | 1,804,780 | 277,372 |
| 2017 | 725,000 | 183,730 | 54,029 | 13,735 | 692,360 | 24,676 | - | - | 21,021 | 1,492,409 | 222,141 |
| 2018 | 755,000 | 151,665 | 56,793 | 10,971 | 692,360 | 20,172 | - | - | 21,021 | 1,525,173 | 182,808 |
| 2019 | 495,000 | 118,125 | 59,698 | 8,065 | 692,360 | 15,668 | - | - | 21,021 | 1,268,079 | 141,858 |
| 2020 | 320,000 | 95,850 | 62,753 | 5,011 | 509,991 | 11,164 | - | - | - | 892,744 | 112,024 |
| 2021 | 330,000 | 81,450 | 65,963 | 1,800 | 509,991 | 8,483 | - | - | - | 905,955 | 91,733 |
| 2022 | 345,000 | 66,600 | - | - | 282,906 | 5,802 | - | - | - | 627,906 | 72,402 |
| 2023 | 360,000 | 51,075 | - | - | 256,791 | 4,257 | - | - | - | 616,791 | 55,332 |
| 2024 | 380,000 | 34,875 | - | - | 256,791 | 2,973 | - | - | - | 636,791 | 37,848 |
| 2025 | 395,000 | 17,775 | - | - | 148,947 | 1,689 | - | - | - | 543,947 | 19,464 |
| 2026 | - | - | - | - | 148,947 | 945 | - | - | - | 148,947 | 945 |
| 2027 | - | - | - | - | 20,000 | 200 | - | - | - | 20,000 | 200 |
| 2028 | - | - | - | - | 20,000 | 100 | - | - | - | 20,000 | 100 |
| TOTALS | \$ 10,053,000 | \$ 3,608,993 | \$ 646,799 | \$ 234,124 | \$ 13,296,481 | \$ 1,022,317 | \$ 36,827 | \$ 10,231 | \$ 1,914,598 | \$ 25,947,705 | \$ 4,875,665 |

CHANGES IN LONG-TERM DEBT

| Issue Name | Interest Rates | Maturity Date | Original Amount | Principal Installments | Balance 12/31/07 | Additions | Reductions | Balance 12/31/08 | Due Within One Year |
|--|----------------|---------------|----------------------|-------------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| Governmental debt: | | | | | | | | | |
| <u>General obligation bonds:</u> | | | | | | | | | |
| Limited G.O. Library | 3.75-5.00% | 12/1/2018 | \$ 4,000,000 | \$110,000 - \$290,000 | \$ 2,635,000 | \$ - | \$ (195,000) | \$ 2,440,000 | \$ 205,000 |
| Valley Communication G.O. | 4.30-5.75% | 12/1/2015 | 2,551,600 | \$96,600 - \$233,000 | 1,595,000 | - | (167,000) | 1,428,000 | 175,000 |
| Total general obligation bonds | | | 6,551,600 | | 4,230,000 | - | (362,000) | 3,868,000 | 380,000 |
| <u>Capital lease:</u> | | | | | | | | | |
| Auburn Avenue Theater (1) | 5.00% | 12/31/2021 | 695,504 | \$2,808 - \$5,624 | 663,553 | 17,728 | (34,482) | 646,799 | 36,247 |
| <u>Employee leave benefit:</u> | | | | | | | | | |
| Compensated absences | | | - | | 1,292,934 | 1,399,489 | (1,187,826) | 1,504,598 | 1,339,404 |
| <u>Public Works Trust Fund loans:</u> | | | | | | | | | |
| PWTF 2006(a) | 0.50% | 7/1/2010 | 142,313 | - | 106,735 | - | (35,578) | 71,157 | 35,578 |
| PWTF 2008 | 0.50% | 7/1/2028 | 1,800,000 | - | - | 360,000 | - | 360,000 | - |
| Total Public Works Trust Fund loans | | | 1,942,313 | | 106,735 | 360,000 | (35,578) | 431,157 | 35,578 |
| <u>Special assessment bonds:</u> | | | | | | | | | |
| L.I.D. # 347 | 6.95% | 5/1/2012 | 567,827 | Varies | 36,827 | - | - | 36,827 | - |
| <u>Deferred charges related to debt</u> | | | | | | | | | |
| | | | | | (1,126) | - | 102 | (1,024) | - |
| Total governmental | | | \$ 9,777,244 | | \$ 6,328,823 | \$ 1,777,217 | \$ (1,619,783) | \$ 6,486,357 | \$ 1,791,229 |
| Business-type debt: | | | | | | | | | |
| <u>General obligation bonds</u> | | | | | | | | | |
| GO bond 1999 | 5.00-5.10% | 11/1/2009 | \$ 1,655,000 | \$45,000 - \$65,000 | \$ 125,000 | \$ - | \$ (60,000) | \$ 65,000 | \$ 65,000 |
| GO refunding bond 2005 | 4.00-5.00% | 12/1/2019 | 1,375,000 | \$10,000 - \$190,000 | 1,345,000 | - | - | 1,345,000 | - |
| GO bond 2006 | 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 | 1,675,000 | - | (175,000) | 1,500,000 | 180,000 |
| Total GO bonds | | | 8,190,000 | | 6,420,000 | - | (235,000) | 6,185,000 | 245,000 |
| <u>Revenue bonds:</u> | | | | | | | | | |
| Utility sys. revenue 1999 (2) | 5.00-5.10% | 11/1/2009 | 8,345,000 | \$670,000 - \$1,030,000 | 2,010,000 | - | (980,000) | 1,030,000 | 1,030,000 |
| Utility sys. refunding bonds 2005 (2) | 3.00-4.75% | 11/1/2016 | 2,765,000 | \$45,000 - \$355,000 | 2,720,000 | - | (255,000) | 2,465,000 | 265,000 |
| Total revenue bonds | | | 11,110,000 | | 4,730,000 | - | (1,235,000) | 3,495,000 | 1,295,000 |
| <u>Employee leave benefit:</u> | | | | | | | | | |
| Compensated absences | | | - | | 336,938 | 381,359 | (308,296) | 410,000 | 364,985 |
| <u>Public Works Trust Fund loans:</u> | | | | | | | | | |
| PWTF 1999 | 1.00% | 7/1/2019 | 3,465,000 | \$192,368 | 2,198,421 | - | (182,388) | 2,006,053 | 182,368 |
| PWTF 2001 | 0.50% | 7/1/2021 | 4,290,405 | \$227,086 | 3,179,198 | - | (227,086) | 2,952,112 | 227,086 |
| PWTF 2002 | 1.00% | 7/1/2022 | 641,250 | \$26,114 | 391,717 | - | (26,115) | 365,602 | 26,114 |
| PWTF 2004 | 0.50% | 7/1/2024 | 2,049,036 | \$107,944 | 1,833,348 | - | (107,844) | 1,725,504 | 107,844 |
| PWTF 2006(b) | 0.50% | 7/1/2026 | 2,450,000 | \$128,947 | 2,450,000 | - | (128,947) | 2,321,053 | 128,947 |
| Total Public Works Trust Fund loans | | | 12,895,691 | | 10,042,684 | - | (672,380) | 9,370,324 | 672,359 |
| <u>Deferred charges related to debt</u> | | | | | | | | | |
| | | | | | (23,506) | - | 10,604 | (12,902) | - |
| Total proprietary | | | \$ 32,195,691 | | \$ 21,506,116 | \$ 381,359 | \$ (2,440,052) | \$ 19,447,423 | \$ 2,577,344 |
| Total all funds | | | \$ 41,972,935 | | \$ 27,835,039 | \$ 2,158,576 | \$ (4,059,835) | \$ 25,933,780 | \$ 4,369,573 |

(1) Imputed interest rate of 5.00%.
 (2) Subject to federal arbitrage rules.

LONG-TERM DEBT RECONCILIATION

| | Enterprise Funds | Governmental Funds | 12/31/08 |
|---|----------------------|-----------------------|----------------------|
| Liabilities payable from restricted assets: | | | |
| Revenue bonds | \$ 648,190 | \$ - | \$ 648,190 |
| Long-term bonds payable: | | | |
| General obligation bonds | 6,185,000 | 3,868,000 | 10,053,000 |
| Capital lease | - | 646,799 | 646,799 |
| Revenue bonds | 2,846,810 | - | 2,846,810 |
| Special assessments with government commitment | - | 36,827 | 36,827 |
| Public Works Trust Fund loans | 9,370,324 | 431,157 | 9,801,481 |
| Employee leave benefits | 410,000 | 1,504,598 | 1,914,598 |
| Deferred charges | (12,902) | (1,024) | (13,925) |
| Total long-term debt | \$ 19,447,423 | \$ 6,486,357 | \$ 25,933,780 |

Revenue Bond Debt Service Coverage

The required debt service coverage for the 1999 utility revenue bonds and the 2005 utility revenue refunding bonds is 1.25. Debt service coverage for 2008 was 2.03. Please refer to Schedule 16 in the statistical section.

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 13 – CONSTRUCTION COMMITMENTS

At December 31, 2008 the City had the following contractual obligations on construction projects:

SCHEDULE OF OUTSTANDING CONSTRUCTION OBLIGATIONS
AS OF DECEMBER 31, 2008

| | Amount Outstanding |
|--------------------------|--------------------|
| Traffic projects | \$ 166,601 |
| Street projects | 156,813 |
| Utilities projects | 362,882 |
| Total commitments | \$ 686,296 |

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 2008, of the \$105,046 net appreciation on investments, \$38,238 was available for expenditure, and the rest was related to an unrealized gain on a long-term investment that matures in 2009. Amounts that are available for expenditure are reflected as unrestricted net assets.

NOTE 15 – JOINT VENTURE / RELATED PARTY

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 2008 cost distribution for the five participating cities is as follows:

| | Dispatchable Calls | Percent of Total * |
|--------------|-----------------------|-----------------------|
| Renton | 67,075 | 18.03% |
| Kent | 101,281 | 27.23% |
| Auburn | 79,591 | 21.40% |
| Tukwila | 38,934 | 10.47% |
| Federal Way | 85,075 | 22.87% |
| Total | 371,956 | 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, 2007 | \$ 4,144,201 | \$ 5,857,547 | \$ 3,849,684 | \$ 2,428,951 | \$ 2,271,890 | \$ 18,552,273 |
| Current year change | 315,033 | 522,452 | 390,928 | 144,391 | 424,182 | 1,796,986 |
| Equity Dec. 31, 2008 | <u>\$ 4,459,234</u> | <u>\$ 6,379,999</u> | <u>\$ 4,240,612</u> | <u>\$ 2,573,342</u> | <u>\$ 2,696,072</u> | <u>\$ 20,349,259</u> |
| % of equity | 21.91% | 31.35% | 20.84% | 12.65% | 13.25% | |
| % of 2008 distribution | 17.53% | 29.07% | 21.75% | 8.04% | 23.61% | |

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.

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 2008 Auburn paid \$50,738 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 2008 were \$132,347. Medical premiums and benefit payments made under the Fire Relief and Pension Plan for 2008 were \$159,818.

NOTE 17 – CONTINGENCIES AND LITIGATION

As of December 31, 2008, 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. 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 129 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 reinsurance.

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

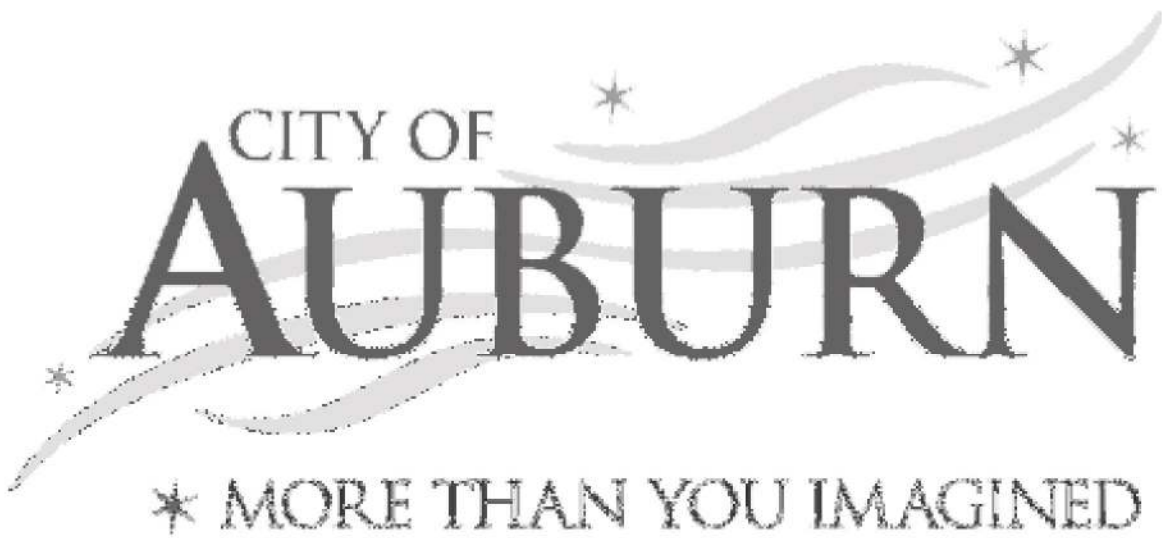
Title 51 RCW requires the City to ensure payment of benefits for job-related injuries and diseases through the Workers' Compensation fund or through self-insurance. The City participates in the State of Washington's Workers' Compensation program. Premiums are based on individual employer's reported payroll 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**SCORE**

On January 20, 2009, the City Council of the City of Auburn authorized the execution of an interlocal agreement relating to the South Correctional Entity Facility (SCORE) and the formation of the South Correctional Entity Facility Public Development Authority. The agreement allows for the construction of a 680 bed misdemeanant facility jointly with seven other south King County Cities; Burien, Des Moines, Federal Way, Renton, SeaTac, and Tukwila . The City of Auburn will own approximately 29 percent of the beds in the facility and will be responsible for the same percentage of debt service and operations and maintenance of the facility. The Public Development Authority is authorized to issue debt in the aggregate principal amount of not to exceed \$100,000,000 to finance the acquisition, construction, equipping and improvement of the facility on behalf of the member cities.

Reduction in Force

The 2009 budgeted revenue for the City's General Fund is under pressure, specifically sales tax and development revenues. The City has done one budget amendment and is scheduled to do another which will reduce 2009 sales tax revenue by 18 percent and development revenues by 25 percent. To offset this revenue decrease, the City has frozen 14 vacant positions and reduced work force via lay off by another 22 positions. This is in addition to 22 positions that were frozen in 2008. Other budget elements were also reduced to balance the General Fund budgeted expenses to the revised revenue levels.



CITY OF AUBURN, WASHINGTON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|------------------------------------|---------------------------------|----------------------|---|
| REVENUES: | | | | |
| TAXES: | | | | |
| PROPERTY | \$ 15,200,000 | \$ 9,616,900 | \$ 9,757,999 | \$ 141,099 |
| RETAIL SALES & USE | 17,680,000 | 18,514,700 | 17,620,661 | (894,039) |
| INTERFUND UTILITY | 1,906,200 | 2,000,400 | 2,324,625 | 324,225 |
| UTILITY | 5,525,100 | 7,656,800 | 7,487,823 | (168,977) |
| EXCISE | 1,006,500 | 996,500 | 1,160,700 | 164,200 |
| LICENSES AND PERMITS | 1,795,000 | 1,295,000 | 1,110,722 | (184,278) |
| INTERGOVERNMENTAL | 2,976,500 | 4,460,600 | 5,788,294 | 1,327,694 |
| CHARGES FOR SERVICES | 1,757,500 | 1,979,500 | 2,397,025 | 417,525 |
| FINES AND FORFEITURES | 771,000 | 1,671,000 | 2,059,771 | 388,771 |
| INVESTMENT EARNINGS | 300,000 | 300,000 | 521,647 | 221,647 |
| MISCELLANEOUS | 351,100 | 523,800 | 849,839 | 326,039 |
| TOTAL REVENUES | 49,268,900 | 49,015,200 | 51,079,106 | 2,063,906 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| GENERAL GOVERNMENT | 8,130,400 | 8,679,875 | 7,010,742 | 1,669,133 |
| SECURITY OF PERSONS AND PROPERTY | 22,221,500 | 28,753,625 | 26,157,394 | 2,596,231 |
| PHYSICAL ENVIRONMENT | 2,716,300 | 3,653,050 | 3,490,636 | 162,414 |
| TRANSPORTATION | 2,208,900 | 2,931,100 | 2,784,963 | 146,137 |
| ECONOMIC ENVIRONMENT | 2,003,200 | 3,109,800 | 2,018,159 | 1,091,641 |
| HEALTH AND HUMAN SERVICES | 605,200 | 885,600 | 776,224 | 109,376 |
| CULTURE AND RECREATION | 5,384,800 | 6,720,300 | 6,296,743 | 423,557 |
| DEBT SERVICE | 250,500 | 250,500 | 318,242 | (67,742) |
| TOTAL EXPENDITURES | 43,520,800 | 54,983,850 | 48,853,103 | 6,130,747 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 5,748,100 | (5,968,650) | 2,226,003 | 8,194,653 |
| OTHER FINANCING SOURCES (USES): | | | | |
| PROCEEDS FROM CAPITAL LEASE | - | - | 17,728 | 17,728 |
| TRANSFERS IN (Note 5) | 17,000 | 643,132 | 643,132 | - |
| TRANSFERS OUT (Note 5) | (1,306,200) | (4,649,132) | (4,278,492) | 370,640 |
| TOTAL OTHER FINANCING SOURCES AND USES | (1,289,200) | (4,006,000) | (3,617,632) | 388,368 |
| NET CHANGE IN FUND BALANCES | 4,458,900 | (9,974,650) | (1,391,629) | 8,583,021 |
| FUND BALANCES - BEGINNING | 10,288,125 | 14,462,720 | 14,462,720 | - |
| FUND BALANCES - ENDING | \$ 14,747,025 | \$ 4,488,070 | \$ 13,071,091 | \$ 8,583,021 |

CITY OF AUBURN, WASHINGTON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ARTERIAL STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|------------------------------------|---------------------------------|---------------------|---|
| REVENUES: | | | | |
| TAXES: | | | | |
| UTILITY | \$ - | \$ 554,500 | \$ 182,588 | \$ (371,912) |
| BUSINESS | - | - | 587,532 | 587,532 |
| INTERGOVERNMENTAL | 1,646,000 | 4,165,300 | 1,062,911 | (3,102,389) |
| INVESTMENT EARNINGS | 25,000 | 25,000 | 27,254 | 2,254 |
| TOTAL REVENUES | 1,671,000 | 4,744,800 | 1,860,285 | (2,884,515) |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| TRANSPORTATION | - | 553,800 | 3,757,294 | (3,203,494) |
| DEBT SERVICE | 48,300 | 48,300 | - | 48,300 |
| CAPITAL LEASES | - | - | 35,578 | (35,578) |
| CAPITAL OUTLAY | 3,590,100 | 7,179,000 | 534 | 7,178,466 |
| TOTAL EXPENDITURES | 3,638,400 | 7,781,100 | 3,793,406 | 3,987,694 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (1,967,400) | (3,036,300) | (1,933,121) | 1,103,179 |
| OTHER FINANCING SOURCES (USES): | | | | |
| PROCEEDS OF LONG-TERM DEBT | - | 80,000 | 360,000 | 280,000 |
| TRANSFERS IN (Note 5) | 1,956,300 | 3,015,300 | 2,283,396 | (731,904) |
| TOTAL OTHER FINANCING SOURCES AND USES | 1,956,300 | 3,095,300 | 2,643,396 | (451,904) |
| | | | | |
| NET CHANGE IN FUND BALANCES | (11,100) | 59,000 | 710,275 | 651,275 |
| | | | | |
| FUND BALANCES - BEGINNING | 518,647 | 841,462 | 841,462 | - |
| FUND BALANCES - ENDING | \$ 507,547 | \$ 900,462 | \$ 1,551,737 | \$ 651,275 |

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. Annual 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

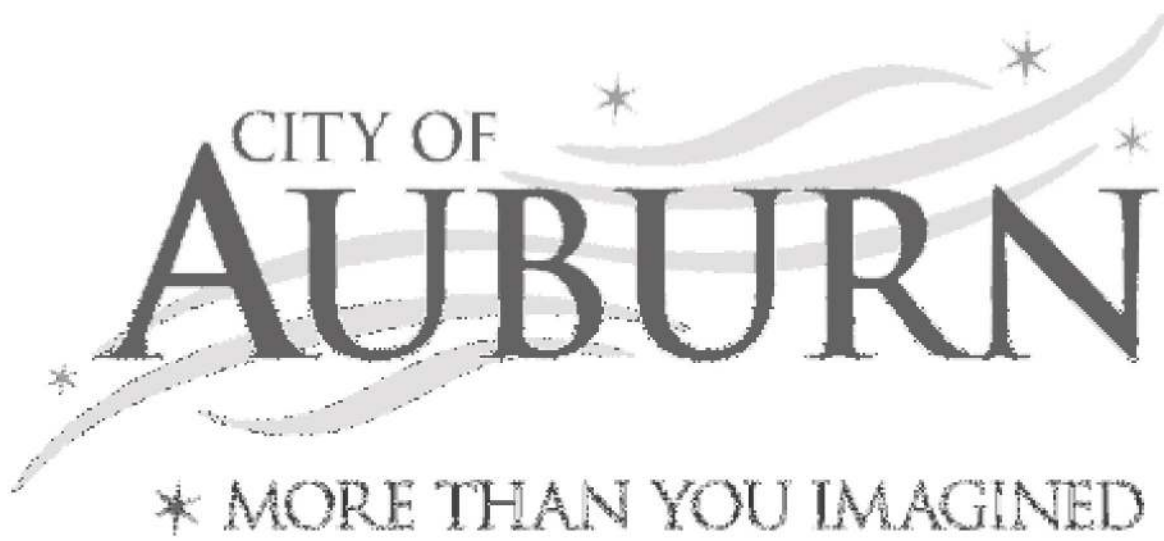
Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs that are for the benefit of the City or its citizens.

CITY OF AUBURN, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENT FUNDS
 DECEMBER 31, 2008

| | 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 | \$ 13,040,662 | \$ 171,565 | \$ 740,325 | \$ 466,021 | \$ 14,418,573 |
| INVESTMENTS | - | - | - | 1,014,375 | 1,014,375 |
| RECEIVABLES: | | | | | |
| CUSTOMER ACCOUNTS | 1,995 | - | - | - | 1,995 |
| SPECIAL ASSESSMENTS | - | 646,408 | - | - | 646,408 |
| DUE FROM OTHER GOVERNMENTAL UNITS | 69,391 | - | 343,577 | - | 412,968 |
| DEFERRED CHARGES | 4,320 | - | - | - | 4,320 |
| TOTAL ASSETS | \$ 13,116,368 | \$ 817,973 | \$ 1,083,902 | \$ 1,480,396 | \$ 16,498,639 |
| LIABILITIES AND FUND BALANCES: | | | | | |
| CURRENT PAYABLES | \$ 204,735 | \$ - | \$ 799,073 | \$ - | \$ 1,003,808 |
| DEFERRED REVENUE | - | 646,408 | - | - | 646,408 |
| TOTAL LIABILITIES | 204,735 | 646,408 | 799,073 | - | 1,650,216 |
| FUND BALANCES: | | | | | |
| RESERVED FOR: | | | | | |
| DEBT SERVICE | - | 171,565 | - | - | 171,565 |
| ENDOWMENT | - | - | - | 1,336,000 | 1,336,000 |
| UNRESERVED | | | | | |
| DESIGNATED FOR MITIGATION | 5,468,420 | - | - | - | 5,468,420 |
| UNDESIGNATED | 7,443,213 | - | 284,829 | 144,396 | 7,872,438 |
| TOTAL FUND BALANCES | 12,911,633 | 171,565 | 284,829 | 1,480,396 | 14,848,423 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 13,116,368 | \$ 817,973 | \$ 1,083,902 | \$ 1,480,396 | \$ 16,498,639 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | TOTAL NONMAJOR SPECIAL REVENUE | TOTAL NONMAJOR DEBT SERVICE | TOTAL NONMAJOR CAPITAL PROJECTS | TOTAL NONMAJOR PERMANENT | TOTAL NONMAJOR GOVERNMENTAL |
|---|--------------------------------------|-----------------------------------|---------------------------------------|--------------------------------|-----------------------------------|
| REVENUES: | | | | | |
| TAXES: | | | | | |
| PROPERTY | \$ 2,200,000 | \$ - | \$ 82,125 | \$ - | \$ 2,282,125 |
| EXCISE | 86,537 | - | - | - | 86,537 |
| OTHER | 60,660 | - | - | - | 60,660 |
| INTERGOVERNMENTAL | 433,370 | - | 1,080,438 | - | 1,513,808 |
| CHARGES FOR SERVICES | 1,268,048 | - | 67,038 | 52,433 | 1,387,519 |
| SPECIAL ASSESSMENTS | - | 57,402 | - | - | 57,402 |
| INVESTMENT EARNINGS | 348,373 | 47,395 | 1,517 | 52,613 | 449,898 |
| MISCELLANEOUS | 266,915 | - | 25,000 | - | 291,915 |
| TOTAL REVENUES | 4,663,903 | 104,797 | 1,256,118 | 105,046 | 6,129,864 |
| EXPENDITURES: | | | | | |
| CURRENT: | | | | | |
| SECURITY OF PERSONS & PROPERTY | 485,826 | - | - | - | 485,826 |
| TRANSPORTATION | 2,368,710 | - | - | - | 2,368,710 |
| ECONOMIC ENVIRONMENT | 512,668 | - | - | - | 512,668 |
| DEBT SERVICE | | | | | |
| PRINCIPAL | - | 219,595 | - | - | 219,595 |
| INTEREST | - | 147,703 | - | - | 147,703 |
| CAPITAL OUTLAY | - | - | 2,284,122 | - | 2,284,122 |
| TOTAL EXPENDITURES | 3,367,204 | 367,298 | 2,284,122 | - | 6,018,624 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | |
| OVER (UNDER) EXPENDITURES | 1,296,699 | (262,501) | (1,028,004) | 105,046 | 111,240 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| TRANSFERS IN (Note 5) | 382,700 | 307,200 | 1,124,854 | - | 1,814,754 |
| TRANSFERS OUT (Note 5) | (1,050,965) | (54,800) | - | (115,000) | (1,220,765) |
| TOTAL OTHER FINANCING SOURCES (USES) | (668,265) | 252,400 | 1,124,854 | (115,000) | 593,989 |
| NET CHANGE IN FUND BALANCES | 628,434 | (10,101) | 96,850 | (9,954) | 705,229 |
| FUND BALANCES - BEGINNING | 12,283,199 | 181,666 | 187,979 | 1,490,350 | 14,143,194 |
| FUND BALANCES - ENDING | \$ 12,911,633 | \$ 171,565 | \$ 284,829 | \$ 1,480,396 | \$ 14,848,423 |



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 at year-end.

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.*

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.*

Special Parks and Recreation – *Accounts for funds that are donated to the City for specific parks and recreation uses.*

**CITY OF AUBURN, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**

| | LOCAL STREETS | HOTEL/ MOTEL TAX | DRUG FORFEITURE | LOCAL LAW ENFORCEMENT |
|--|-------------------|------------------------|--------------------|-----------------------------|
| ASSETS: | | | | |
| CASH AND CASH EQUIVALENTS | \$ 701,145 | \$ 97,730 | \$ 688,956 | \$ 2,684 |
| RECEIVABLES: | | | | |
| CUSTOMER ACCOUNTS | 1,995 | - | - | - |
| DUE FROM OTHER GOVERNMENTAL UNITS | - | - | 13,993 | 26,235 |
| DEFERRED CHARGES | - | 4,320 | - | - |
| TOTAL ASSETS | \$ 703,140 | \$ 102,050 | \$ 702,949 | \$ 28,919 |
| LIABILITIES AND FUND BALANCES: | | | | |
| CURRENT PAYABLES | \$ 35,747 | \$ 14 | \$ 29,059 | \$ - |
| TOTAL LIABILITIES | 35,747 | 14 | 29,059 | - |
| FUND BALANCES: | | | | |
| UNRESERVED | | | | |
| DESIGNATED FOR MITIGATION | - | - | - | - |
| UNDESIGNATED | 667,393 | 102,036 | 673,890 | 28,919 |
| TOTAL FUND BALANCES | 667,393 | 102,036 | 673,890 | 28,919 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 703,140 | \$ 102,050 | \$ 702,949 | \$ 28,919 |

| HOUSING COMMUNITY DEVELOPMENT | RECREATION TRAILS | BUSINESS IMPROVEMENT AREA | CUMULATIVE RESERVE | MITIGATION FEES | TOTAL NONMAJOR SPECIAL REVENUE FUNDS |
|-------------------------------------|----------------------|---------------------------------|-----------------------|---------------------|---|
| \$ 34,287 | \$ 37,661 | \$ 59,878 | \$ 5,866,566 | \$ 5,551,755 | \$ 13,040,662 |
| - | - | - | - | - | 1,995 |
| 29,163 | - | - | - | - | 69,391 |
| - | - | - | - | - | 4,320 |
| <u>\$ 63,450</u> | <u>\$ 37,661</u> | <u>\$ 59,878</u> | <u>\$ 5,866,566</u> | <u>\$ 5,551,755</u> | <u>\$ 13,116,368</u> |
| \$ 32,208 | \$ - | \$ 24,372 | \$ - | \$ 83,335 | \$ 204,735 |
| 32,208 | - | 24,372 | - | 83,335 | 204,735 |
| - | - | - | - | 5,468,420 | 5,468,420 |
| 31,242 | 37,661 | 35,506 | 5,866,566 | - | 7,443,213 |
| 31,242 | 37,661 | 35,506 | 5,866,566 | 5,468,420 | 12,911,633 |
| <u>\$ 63,450</u> | <u>\$ 37,661</u> | <u>\$ 59,878</u> | <u>\$ 5,866,566</u> | <u>\$ 5,551,755</u> | <u>\$ 13,116,368</u> |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Page 1 of 2

| | LOCAL STREETS | HOTEL/ MOTEL TAX | DRUG FORFEITURE | LOCAL LAW ENFORCEMENT GRANT |
|---|-------------------|------------------------|--------------------|-----------------------------------|
| REVENUES: | | | | |
| TAXES: | | | | |
| PROPERTY | \$ 2,200,000 | \$ - | \$ - | \$ - |
| EXCISE | - | 86,537 | - | - |
| OTHER | - | - | - | - |
| INTERGOVERNMENTAL | - | - | 30,708 | 26,235 |
| CHARGES FOR SERVICES | - | 9,500 | - | - |
| INVESTMENT EARNINGS | 19,662 | 2,395 | 15,599 | 377 |
| MISCELLANEOUS | - | - | 265,948 | - |
| TOTAL REVENUES | 2,219,662 | 98,432 | 312,255 | 26,612 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| SECURITY OF PERSONS & PROPERTY | - | - | 209,072 | 12,554 |
| TRANSPORTATION | 2,368,710 | - | - | - |
| ECONOMIC ENVIRONMENT | - | 83,790 | - | - |
| TOTAL EXPENDITURES | 2,368,710 | 83,790 | 209,072 | 12,554 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (149,048) | 14,642 | 103,183 | 14,058 |
| OTHER FINANCING SOURCES (USES): | | | | |
| TRANSFERS IN (Note 5) | 375,000 | - | - | 2,600 |
| TRANSFERS OUT (Note 5) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 375,000 | - | - | 2,600 |
| NET CHANGE IN FUND BALANCES | 225,952 | 14,642 | 103,183 | 16,658 |
| FUND BALANCES - BEGINNING | 441,441 | 87,394 | 570,707 | 12,261 |
| FUND BALANCES - ENDING | \$ 667,393 | \$ 102,036 | \$ 673,890 | \$ 28,919 |

| HOUSING COMMUNITY DEVELOPMENT | RECREATION TRAILS | BUSINESS IMPROVEMENT AREA | CUMULATIVE RESERVE | MITIGATION FEES | TOTAL NONMAJOR SPECIAL REVENUE FUNDS |
|-------------------------------------|----------------------|---------------------------------|-----------------------|---------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,200,000 |
| - | - | - | - | - | 86,537 |
| - | - | 60,660 | - | - | 60,660 |
| 376,427 | - | - | - | - | 433,370 |
| - | - | - | - | 1,258,548 | 1,268,048 |
| - | - | 1,750 | 160,441 | 148,149 | 348,373 |
| - | 967 | - | - | - | 266,915 |
| 376,427 | 967 | 62,410 | 160,441 | 1,406,697 | 4,663,903 |
| - | - | - | - | 264,200 | 485,826 |
| - | - | - | - | - | 2,368,710 |
| 355,416 | - | 73,462 | - | - | 512,668 |
| 355,416 | - | 73,462 | - | 264,200 | 3,367,204 |
| 21,011 | 967 | (11,052) | 160,441 | 1,142,497 | 1,296,699 |
| - | 5,100 | - | - | - | 382,700 |
| - | - | - | (256,843) | (794,122) | (1,050,965) |
| - | 5,100 | - | (256,843) | (794,122) | (668,265) |
| 21,011 | 6,067 | (11,052) | (96,402) | 348,375 | 628,434 |
| 10,231 | 31,594 | 46,558 | 5,962,968 | 5,120,045 | 12,283,199 |
| \$ 31,242 | \$ 37,661 | \$ 35,506 | \$ 5,866,566 | \$ 5,468,420 | \$ 12,911,633 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|------------------------------------|---------------------------------|-------------------|---|
| REVENUES: | | | | |
| TAXES: | | | | |
| PROPERTY | \$ 810,000 | \$ 2,200,000 | \$ 2,200,000 | \$ - |
| INVESTMENT EARNINGS | 20,000 | 20,000 | 19,662 | (338) |
| MISCELLANEOUS | - | - | - | - |
| TOTAL REVENUES | 830,000 | 2,220,000 | 2,219,662 | (338) |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| TRANSPORTATION | 1,200,000 | 2,595,000 | 2,368,710 | 226,290 |
| TOTAL EXPENDITURES | 1,200,000 | 2,595,000 | 2,368,710 | 226,290 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (370,000) | (375,000) | (149,048) | 225,952 |
| OTHER FINANCING SOURCES (USES): | | | | |
| TRANSFERS IN (Note 5) | 375,000 | 375,000 | 375,000 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 375,000 | 375,000 | 375,000 | - |
| NET CHANGE IN FUND BALANCES | 5,000 | - | 225,952 | 225,952 |
| FUND BALANCES - BEGINNING | 41,520 | 441,441 | 441,441 | - |
| FUND BALANCES - ENDING | \$ 46,520 | \$ 441,441 | \$ 667,393 | \$ 225,952 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|------------------------------------|------------------------------------|---------------------------------|-------------------|---|
| REVENUES: | | | | |
| TAXES: | | | | |
| EXCISE | \$ 62,000 | \$ 76,000 | \$ 86,537 | \$ 10,537 |
| INVESTMENT EARNINGS | 1,000 | 1,800 | 2,395 | 595 |
| TOTAL REVENUES | 63,000 | 77,800 | 98,432 | 20,632 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| ECONOMIC ENVIRONMENT | 75,000 | 122,000 | 83,790 | 38,210 |
| TOTAL EXPENDITURES | 75,000 | 122,000 | 83,790 | 38,210 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (12,000) | (44,200) | 14,642 | 58,842 |
| NET CHANGE IN FUND BALANCES | (12,000) | (44,200) | 14,642 | 58,842 |
| FUND BALANCES - BEGINNING | 31,717 | 87,394 | 87,394 | - |
| FUND BALANCES - ENDING | \$ 19,717 | \$ 43,194 | \$ 102,036 | \$ 58,842 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|------------------------------------|---------------------------------|-------------------|---|
| REVENUES: | | | | |
| INTERGOVERNMENTAL | \$ - | \$ 15,000 | \$ 30,708 | \$ 15,708 |
| INVESTMENT EARNINGS | 15,000 | 15,000 | 15,599 | 599 |
| MISCELLANEOUS | 200,000 | 200,000 | 265,948 | 65,948 |
| TOTAL REVENUES | 215,000 | 230,000 | 312,255 | 82,255 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| SECURITY OF PERSONS & PROPERTY | 181,200 | 260,600 | 209,072 | 51,528 |
| TOTAL EXPENDITURES | 181,200 | 260,600 | 209,072 | 51,528 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 33,800 | (30,600) | 103,183 | 133,783 |
| NET CHANGE IN FUND BALANCES | 33,800 | (30,600) | 103,183 | 133,783 |
| FUND BALANCES - BEGINNING | 497,745 | 570,707 | 570,707 | - |
| FUND BALANCES - ENDING | \$ 531,545 | \$ 540,107 | \$ 673,890 | \$ 133,783 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|------------------------------------|---------------------------------|-------------------|---|
| REVENUES: | | | | |
| INTERGOVERNMENTAL | \$ 26,300 | \$ 26,300 | \$ 26,235 | \$ (65) |
| INVESTMENT EARNINGS | 100 | 100 | 377 | 277 |
| TOTAL REVENUES | 26,400 | 26,400 | 26,612 | 212 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| SECURITY OF PERSONS & PROPERTY | 29,000 | 29,000 | 12,554 | 16,446 |
| TOTAL EXPENDITURES | 29,000 | 29,000 | 12,554 | 16,446 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (2,600) | (2,600) | 14,058 | 16,658 |
| OTHER FINANCING SOURCES (USES): | | | | |
| TRANSFERS IN (Note 5) | 2,600 | 2,600 | 2,600 | - |
| TRANSFERS OUT (Note 5) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 2,600 | 2,600 | 2,600 | - |
| NET CHANGE IN FUND BALANCES | - | - | 16,658 | 16,658 |
| FUND BALANCES - BEGINNING | 6,295 | 12,261 | 12,261 | - |
| FUND BALANCES - ENDING | \$ 6,295 | \$ 12,261 | \$ 28,919 | \$ 16,658 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---------------------------------|------------------------------------|---------------------------------|-------------------|---|
| REVENUES: | | | | |
| INTERGOVERNMENTAL | \$ 409,800 | \$ 409,800 | \$ 376,427 | \$ (33,373) |
| TOTAL REVENUES | 409,800 | 409,800 | 376,427 | (33,373) |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| ECONOMIC ENVIRONMENT | 409,800 | 409,800 | 355,416 | 54,384 |
| HEALTH & HUMAN SERVICES | - | - | - | - |
| TOTAL EXPENDITURES | 409,800 | 409,800 | 355,416 | 54,384 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | - | - | 21,011 | 21,011 |
| NET CHANGE IN FUND BALANCES | - | - | 21,011 | 21,011 |
| FUND BALANCES - BEGINNING | - | 10,231 | 10,231 | - |
| FUND BALANCES - ENDING | \$ - | \$ 10,231 | \$ 31,242 | \$ 21,011 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|------------------------------------|---------------------------------|-------------------|---|
| REVENUES: | | | | |
| INVESTMENT EARNINGS | \$ 800 | \$ 800 | \$ - | \$ (800) |
| MISCELLANEOUS | - | - | 967 | 967 |
| TOTAL REVENUES | 800 | 800 | 967 | 167 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | 800 | 800 | 967 | 167 |
| OTHER FINANCING SOURCES (USES): | | | | |
| TRANSFERS IN (Note 5) | 5,100 | 5,100 | 5,100 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 5,100 | 5,100 | 5,100 | - |
| NET CHANGE IN FUND BALANCES | 5,900 | 5,900 | 6,067 | 167 |
| FUND BALANCES - BEGINNING | 30,624 | 31,594 | 31,594 | - |
| FUND BALANCES - ENDING | \$ 36,524 | \$ 37,494 | \$ 37,661 | \$ 167 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|------------------------------------|------------------------------------|---------------------------------|-------------------|---|
| REVENUES: | | | | |
| TAXES: | | | | |
| OTHER | \$ 53,000 | \$ 53,000 | \$ 60,660 | \$ 7,660 |
| INVESTMENT EARNINGS | 500 | 500 | 1,750 | 1,250 |
| TOTAL REVENUES | 53,500 | 53,500 | 62,410 | 8,910 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| ECONOMIC ENVIRONMENT | 53,500 | 73,500 | 73,462 | 38 |
| TOTAL EXPENDITURES | 53,500 | 73,500 | 73,462 | 38 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | - | (20,000) | (11,052) | 8,948 |
| NET CHANGE IN FUND BALANCES | - | (20,000) | (11,052) | 8,948 |
| FUND BALANCES - BEGINNING | 101 | 46,558 | 46,558 | - |
| FUND BALANCES - ENDING | \$ 101 | \$ 26,558 | \$ 35,506 | \$ 8,948 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|------------------------------------|---------------------------------|---------------------|---|
| REVENUES: | | | | |
| TAXES: | | | | |
| INVESTMENT EARNINGS | \$ 200,000 | \$ 200,000 | \$ 160,441 | \$ (39,559) |
| TOTAL REVENUES | 200,000 | 200,000 | 160,441 | (39,559) |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | 200,000 | 200,000 | 160,441 | (39,559) |
| OTHER FINANCING SOURCES (USES): | | | | |
| TRANSFERS IN (Note 5) | - | 44,800 | - | (44,800) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (991,400) | (256,843) | 734,557 |
| NET CHANGE IN FUND BALANCES | 200,000 | (791,400) | (96,402) | 694,998 |
| FUND BALANCES - BEGINNING | 4,595,983 | 5,962,968 | 5,962,968 | - |
| FUND BALANCES - ENDING | \$ 4,795,983 | \$ 5,171,568 | \$ 5,866,566 | \$ 694,998 |

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, 2008

| | ORIGINAL BUDGET (GAAP BASIS) | FINAL BUDGET (GAAP BASIS) | ACTUAL RESULTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|------------------------------------|---------------------------------|---------------------|---|
| REVENUES: | | | | |
| CHARGES FOR SERVICES | \$ 470,000 | \$ 1,020,000 | \$ 1,258,548 | \$ 238,548 |
| INVESTMENT EARNINGS | 50,000 | 50,000 | 148,149 | 98,149 |
| TOTAL REVENUES | 520,000 | 1,070,000 | 1,406,697 | 336,697 |
| EXPENDITURES: | | | | |
| CURRENT: | | | | |
| SECURITY OF PERSONS & PROPERTY | - | 264,200 | 264,200 | - |
| TOTAL EXPENDITURES | - | 264,200 | 264,200 | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 520,000 | 805,800 | 1,142,497 | 336,697 |
| OTHER FINANCING SOURCES (USES): | | | | |
| TRANSFERS OUT (Note 5) | (909,000) | (1,416,000) | (794,122) | 621,878 |
| TOTAL OTHER FINANCING SOURCES (USES) | (909,000) | (1,416,000) | (794,122) | 621,878 |
| NET CHANGE IN FUND BALANCES | (389,000) | (610,200) | 348,375 | 958,575 |
| FUND BALANCES - BEGINNING | 2,911,295 | 5,120,045 | 5,120,045 | - |
| FUND BALANCES - ENDING | \$ 2,522,295 | \$ 4,509,845 | \$ 5,468,420 | \$ 958,575 |

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 1998 General Obligation Library Bonds - Accounts for debt service on a Council-approved bond issue to finance, in conjunction with King County, the construction of a new library in the City.

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
DEBT SERVICE FUNDS
 DECEMBER 31, 2008

| | 1998 GO LIBRARY BOND DEBT | LID GUARANTEE | SPECIAL ASSESSMENTS | TOTAL NONMAJOR DEBT SERVICE FUNDS |
|--|---------------------------------|------------------|------------------------|--|
| ASSETS: | | | | |
| CASH AND CASH EQUIVALENTS | \$ 41,603 | \$ 62,230 | \$ 67,732 | \$ 171,565 |
| RECEIVABLES: | | | | |
| SPECIAL ASSESSMENTS | - | - | 646,408 | 646,408 |
| TOTAL ASSETS | \$ 41,603 | \$ 62,230 | \$ 714,140 | \$ 817,973 |
| LIABILITIES AND FUND BALANCES: | | | | |
| DEFERRED REVENUE | - | - | 646,408 | 646,408 |
| TOTAL LIABILITIES | - | - | 646,408 | 646,408 |
| FUND BALANCES: | | | | |
| RESERVED FOR: | | | | |
| DEBT SERVICE | 41,603 | - | 67,732 | 109,335 |
| LID GUARANTEE | - | 62,230 | - | 62,230 |
| TOTAL FUND BALANCES | 41,603 | 62,230 | 67,732 | 171,565 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 41,603 | \$ 62,230 | \$ 714,140 | \$ 817,973 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | 1998 G.O. LIBRARY BOND DEBT | L I D GUARANTEE | SPECIAL ASSESSMENTS | TOTAL NONMAJOR DEBT SERVICE FUNDS |
|---|-----------------------------------|--------------------|------------------------|--|
| REVENUES: | | | | |
| TAXES: | | | | |
| SPECIAL ASSESSMENTS | \$ - | \$ - | \$ 57,402 | \$ 57,402 |
| INVESTMENT EARNINGS | 5,783 | 2,007 | 39,605 | 47,395 |
| TOTAL REVENUES | 5,783 | 2,007 | 97,007 | 104,797 |
| EXPENDITURES: | | | | |
| DEBT SERVICE | | | | |
| PRINCIPAL | 195,000 | - | 24,595 | 219,595 |
| INTEREST | 112,190 | - | 35,513 | 147,703 |
| TOTAL EXPENDITURES | 307,190 | - | 60,108 | 367,298 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (301,407) | 2,007 | 36,899 | (262,501) |
| OTHER FINANCING SOURCES (USES): | | | | |
| TRANSFERS IN (Note 5) | 307,200 | - | - | 307,200 |
| TRANSFERS OUT (Note 5) | - | (54,800) | - | (54,800) |
| TOTAL OTHER FINANCING SOURCES (USES) | 307,200 | (54,800) | - | 252,400 |
| NET CHANGE IN FUND BALANCES | 5,793 | (52,793) | 36,899 | (10,101) |
| FUND BALANCES - BEGINNING | 35,810 | 115,023 | 30,833 | 181,666 |
| FUND BALANCES - ENDING | \$ 41,603 | \$ 62,230 | \$ 67,732 | \$ 171,565 |

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 one non-major capital project fund.

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.

CITY OF AUBURN, WASHINGTON
BALANCE SHEET
CAPITAL PROJECT FUND
 DECEMBER 31, 2008

| | MUNICIPAL PARK CONSTRUCTION |
|--|-----------------------------------|
| ASSETS: | |
| CASH AND CASH EQUIVALENTS | \$ 740,325 |
| DUE FROM OTHER GOVERNMENTAL UNITS | 343,577 |
| TOTAL ASSETS | \$ 1,083,902 |
| LIABILITIES AND FUND BALANCES: | |
| CURRENT PAYABLES | \$ 799,073 |
| TOTAL LIABILITIES | 799,073 |
| FUND BALANCES: | |
| UNRESERVED | |
| UNDESIGNATED | 284,829 |
| TOTAL FUND BALANCES | 284,829 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,083,902 |

CITY OF AUBURN, WASHINGTON
**STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES**
CAPITAL PROJECT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | MUNICIPAL PARK CONSTRUCTION |
|--|-----------------------------------|
| REVENUES: | |
| TAXES: | |
| PROPERTY | \$ 82,125 |
| INTERGOVERNMENTAL | 1,080,438 |
| CHARGES FOR SERVICES | 67,038 |
| INVESTMENT EARNINGS | 1,517 |
| MISCELLANEOUS | 25,000 |
| TOTAL REVENUES | 1,256,118 |
| EXPENDITURES: | |
| CAPITAL OUTLAY | 2,284,122 |
| TOTAL EXPENDITURES | 2,284,122 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,028,004) |
| OTHER FINANCING SOURCES (USES): | |
| TRANSFERS IN (Note 5) | 1,124,854 |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,124,854 |
| NET CHANGE IN FUND BALANCES | 96,850 |
| FUND BALANCES - BEGINNING | 187,979 |
| FUND BALANCES - ENDING | \$ 284,829 |

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 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, 2008

| | CEMETERY ENDOWED CARE |
|--|-----------------------------|
| ASSETS: | |
| CASH AND CASH EQUIVALENTS | |
| NON-EXPENDABLE TRUST | \$ 466,021 |
| INVESTMENTS | 1,014,375 |
| TOTAL ASSETS | \$ 1,480,396 |
| FUND BALANCES: | |
| RESERVED FOR: | |
| ENDOWMENT | \$ 1,336,000 |
| UNRESERVED | |
| UNDESIGNATED | 144,396 |
| TOTAL FUND BALANCES | 1,480,396 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,480,396 |

CITY OF AUBURN, WASHINGTON
**STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE**
PERMANENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | CEMETERY ENDOWED CARE |
|--|-----------------------------|
| REVENUES: | |
| INCREASE TO ENDOWMENT FROM LOT SALES | \$ 52,433 |
| INVESTMENT EARNINGS | 52,613 |
| TOTAL REVENUES | 105,046 |
| EXCESS OF REVENUES OVER EXPENDITURES | 105,046 |
| OTHER FINANCING SOURCES (USES): | |
| TRANSFERS OUT (Note 5) | (115,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (115,000) |
| NET CHANGE IN FUND BALANCE | (9,954) |
| FUND BALANCE - BEGINNING | 1,490,350 |
| FUND BALANCE - ENDING | \$ 1,480,396 |

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 NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2008**

| | AIRPORT | CEMETERY | COMMERCIAL RETAIL | TOTAL NONMAJOR PROPRIETARY FUNDS |
|---|---------------------|---------------------|----------------------|---|
| ASSETS: | | | | |
| CURRENT ASSETS: | | | | |
| CASH AND CASH EQUIVALENTS | \$ 1,076,357 | \$ 487,674 | \$ 650,277 | \$ 2,214,308 |
| RESTRICTED CASH: | | | | |
| CUSTOMER DEPOSITS | 79,258 | - | - | 79,258 |
| CUSTOMER ACCOUNTS | 3,909 | - | - | 3,909 |
| INVENTORIES | - | 8,455 | - | 8,455 |
| TOTAL CURRENT ASSETS | 1,159,524 | 496,129 | 650,277 | 2,305,930 |
| NONCURRENT ASSETS: | | | | |
| LONG-TERM CONTRACTS AND NOTES | - | 42,352 | - | 42,352 |
| CAPITAL ASSETS: | | | | |
| LAND | 3,653,343 | 342,836 | - | 3,996,179 |
| BUILDINGS AND EQUIPMENT | 2,476,174 | 1,024,034 | 1,737,398 | 5,237,606 |
| IMPROVEMENTS OTHER THAN BUILDINGS | 5,189,952 | 1,082,094 | 356,229 | 6,628,275 |
| CONSTRUCTION IN PROGRESS | 354,505 | 4,529 | - | 359,034 |
| LESS: ACCUMULATED DEPRECIATION | (4,172,448) | (1,100,591) | (1,227,725) | (6,500,764) |
| TOTAL CAPITAL ASSETS (NET OF A/D) | 7,501,526 | 1,352,902 | 865,902 | 9,720,330 |
| TOTAL NONCURRENT ASSETS | 7,501,526 | 1,395,254 | 865,902 | 9,762,682 |
| TOTAL ASSETS | 8,661,050 | 1,891,383 | 1,516,179 | 12,068,612 |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| CURRENT PAYABLES | 3,101 | 59,761 | - | 62,862 |
| EMPLOYEE LEAVE BENEFITS-CURRENT | 2,206 | 11,495 | - | 13,701 |
| GENERAL OBLIGATION BONDS PAYABLE-CURRENT | 65,000 | - | - | 65,000 |
| DEPOSITS | 79,257 | - | - | 79,257 |
| TOTAL CURRENT LIABILITIES | 149,564 | 71,256 | - | 220,820 |
| NONCURRENT LIABILITIES: | | | | |
| DEFERRED REVENUE | - | 42,352 | - | 42,352 |
| EMPLOYEE LEAVE BENEFITS | 272 | 1,418 | - | 1,690 |
| GENERAL OBLIGATION BONDS PAYABLE | 1,257,794 | 498,867 | - | 1,756,661 |
| TOTAL NONCURRENT LIABILITIES | 1,258,066 | 542,637 | - | 1,800,703 |
| TOTAL LIABILITIES | 1,407,630 | 613,893 | - | 2,021,523 |
| NET ASSETS: | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 6,178,732 | 739,169 | 1,125,181 | 8,043,082 |
| UNRESTRICTED | 1,074,688 | 538,321 | 390,998 | 2,004,007 |
| TOTAL NET ASSETS | \$ 7,253,420 | \$ 1,277,490 | \$ 1,516,179 | \$ 10,047,089 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | AIRPORT | CEMETERY | COMMERCIAL RETAIL | TOTAL NONMAJOR ENTERPRISE FUNDS |
|---|---------------------|---------------------|----------------------|--|
| OPERATING REVENUES: | | | | |
| CHARGES FOR SERVICES | \$ 660,062 | \$ 795,256 | \$ - | \$ 1,455,318 |
| INTEREST | - | 2,363 | - | 2,363 |
| OTHER OPERATING REVENUE | - | - | 2,591 | 2,591 |
| TOTAL OPERATING REVENUES | 660,062 | 797,619 | 2,591 | 1,460,272 |
| OPERATING EXPENSES: | | | | |
| OPERATIONS & MAINTENANCE | 1,504 | 615,510 | - | 617,014 |
| ADMINISTRATION | 365,839 | 206,484 | - | 572,323 |
| DEPRECIATION/AMORTIZATION | 224,961 | 79,957 | 120,508 | 425,426 |
| OTHER OPERATING EXPENSES | 143 | 9,956 | - | 10,099 |
| TOTAL OPERATING EXPENSES | 592,447 | 911,907 | 120,508 | 1,624,862 |
| OPERATING INCOME (LOSS) | 67,615 | (114,288) | (117,917) | (164,590) |
| NON-OPERATING REVENUE (EXPENSE): | | | | |
| INTEREST REVENUE | 28,735 | 15,840 | 6,262 | 50,837 |
| OTHER NON-OPERATING REVENUES | 190,881 | 1,267 | - | 192,148 |
| GAIN (LOSS) ON SALE OF CAPITAL ASSETS | 600 | - | - | 600 |
| INTEREST EXPENSE | (73,962) | (21,779) | - | (95,741) |
| TOTAL NON-OPERATING REVENUE (EXPENSE) | 146,254 | (4,672) | 6,262 | 147,844 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | 213,869 | (118,960) | (111,655) | (16,746) |
| TRANSFERS IN (Note 5) | - | 115,000 | - | 115,000 |
| TRANSFERS OUT (Note 5) | - | - | (339,732) | (339,732) |
| CHANGE IN NET ASSETS | 213,869 | (3,960) | (451,387) | (241,478) |
| TOTAL NET ASSETS BEGINNING OF YEAR | 7,039,551 | 1,281,450 | 1,967,566 | 10,288,567 |
| TOTAL NET ASSETS END OF YEAR | \$ 7,253,420 | \$ 1,277,490 | \$ 1,516,179 | \$ 10,047,089 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Page 1 of 2

| | AIRPORT | CEMETERY | COMMERCIAL RETAIL | TOTAL NONMAJOR ENTERPRISE FUNDS |
|--|---------------------|-------------------|----------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| CASH RECEIVED FROM USERS | \$ 661,953 | \$ 797,619 | \$ - | \$ 1,459,572 |
| CASH PAID TO SUPPLIERS | (351,419) | (246,062) | (4,720) | (602,201) |
| CASH PAID FOR TAXES | (143) | (9,956) | - | (10,099) |
| CASH PAID FOR INVENTORY | - | 513 | - | 513 |
| CASH PAID TO EMPLOYEES | (22,447) | (563,809) | - | (586,256) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 287,944 | (21,695) | (4,720) | 261,529 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| TRANSFERS FROM OTHER FUNDS | - | 115,000 | - | 115,000 |
| OPERATING TRANSFERS OUT | - | - | (339,732) | (339,732) |
| NET CASH PROVIDED (USED) BY NON- CAPITAL FINANCING ACTIVITIES | - | 115,000 | (339,732) | (224,732) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| PROCEEDS FROM SALE OF EQUIPMENT | 600 | - | - | 600 |
| PURCHASE OF CAPITAL ASSETS | (212,764) | (310,647) | - | (523,411) |
| PROCEEDS FROM OTHER GOVERNMENTS | 190,881 | - | - | 190,881 |
| PREMIUM & BOND ISSUANCE COSTS | 9,772 | - | - | 9,772 |
| PRINCIPAL PAYMENT ON DEBT | (60,000) | - | - | (60,000) |
| INTEREST PAYMENT ON DEBT | (73,963) | (22,273) | - | (96,236) |
| OTHER CASH RECEIVED (PAID) | - | 1,267 | - | 1,267 |
| NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES | (145,474) | (331,653) | - | (477,127) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| INTEREST RECEIVED | 28,735 | 15,840 | 6,262 | 50,837 |
| NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES | 28,735 | 15,840 | 6,262 | 50,837 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR | 171,205 | (222,508) | (338,190) | (389,493) |
| CASH AND CASH EQUIVALENTS-END OF YEAR | 984,408 | 710,181 | 988,467 | 2,683,057 |
| CASH AND CASH EQUIVALENTS-END OF YEAR | \$ 1,155,613 | \$ 487,674 | \$ 650,277 | \$ 2,293,564 |
| CASH AT END OF YEAR CONSISTS OF: | | | | |
| CASH AND CASH EQUIVALENTS | \$ 1,076,357 | \$ 487,674 | \$ 650,277 | \$ 2,214,308 |
| RESTRICTED CASH-CUSTOMER DEPOSITS | 79,256 | - | - | 79,256 |
| TOTAL CASH | \$ 1,155,613 | \$ 487,674 | \$ 650,277 | \$ 2,293,564 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

| | AIRPORT | CEMETERY | COMMERCIAL RETAIL | TOTAL NONMAJOR ENTERPRISE FUNDS |
|--|-------------------|--------------------|----------------------|--|
| RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| OPERATING INCOME (LOSS) | \$ 67,615 | \$ (114,288) | \$ (117,917) | \$ (164,590) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| DEPRECIATION | 224,961 | 79,957 | 120,508 | 425,425 |
| INVENTORY | - | 513 | - | 513 |
| LIABILITY (INCREASES) DECREASES : | | | | |
| ACCOUNTS & VOUCHERS PAYABLE | (6,627) | 19,629 | (7,311) | 5,692 |
| DEPOSITS PAYABLE | 1,891 | - | - | 1,891 |
| WAGES & BENEFITS PAYABLE | 163 | (1,954) | - | (1,791) |
| COMPENSATED ABSENCES PAYABLE | (59) | (5,552) | - | (5,611) |
| TOTAL ADJUSTMENTS | 220,329 | 92,593 | 113,197 | 426,119 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 287,944</u> | <u>\$ (21,695)</u> | <u>\$ (4,720)</u> | <u>\$ 261,529</u> |
| 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 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

NON-MAJOR PROPRIETARY FUNDS

Internal Service Funds

The City of Auburn's internal service funds are used to account for the financing of goods and services provided by one department of operation to other departments on a cost reimbursement basis. Internal service funds are self-supporting and use the accrual method of accounting. Auburn has 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 Information Services Fund - Accounts for the costs of purchasing and maintaining the City's various computer and telecommunications systems.

The Equipment Rental Fund - Accounts for the costs of purchasing, maintaining, and operating Auburn's fleet of vehicles and related equipment.

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENTS OF NET ASSETS
INTERNAL SERVICE FUNDS
 DECEMBER 31, 2008

| | INSURANCE | INFORMATION SERVICES | EQUIPMENT RENTAL | TOTAL |
|---|---------------------|-------------------------|----------------------|----------------------|
| ASSETS: | | | | |
| CURRENT ASSETS: | | | | |
| CASH AND CASH EQUIVALENTS | \$ 2,481,572 | \$ 3,345,884 | \$ 6,091,761 | \$ 11,919,217 |
| CUSTOMER ACCOUNTS | - | 13,000 | 7,200 | 20,200 |
| INVENTORIES | - | - | 143,945 | 143,945 |
| TOTAL CURRENT ASSETS | 2,481,572 | 3,358,884 | 6,242,906 | 12,083,362 |
| NONCURRENT ASSETS: | | | | |
| CAPITAL ASSETS: | | | | |
| BUILDINGS AND EQUIPMENT | - | 3,159,905 | 9,910,011 | 13,069,916 |
| IMPROVEMENTS OTHER THAN BUILDINGS | - | - | 46,591 | 46,591 |
| CONSTRUCTION IN PROGRESS | - | 64,206 | - | 64,206 |
| LESS: ACCUMULATED DEPRECIATION | - | (2,018,397) | (5,464,093) | (7,482,490) |
| TOTAL CAPITAL ASSETS (NET OF A/D) | - | 1,205,714 | 4,492,509 | 5,698,223 |
| TOTAL NONCURRENT ASSETS | - | 1,205,714 | 4,492,509 | 5,698,223 |
| TOTAL ASSETS | 2,481,572 | 4,564,598 | 10,735,415 | 17,781,585 |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| CURRENT PAYABLES | - | 426,399 | 138,764 | 565,163 |
| EMPLOYEE LEAVE BENEFITS-CURRENT | - | 66,593 | 25,376 | 91,969 |
| TOTAL CURRENT LIABILITIES | - | 492,992 | 164,140 | 657,132 |
| NONCURRENT LIABILITIES: | | | | |
| EMPLOYEE LEAVE BENEFITS | - | 8,213 | 3,130 | 11,343 |
| TOTAL NONCURRENT LIABILITIES | - | 8,213 | 3,130 | 11,343 |
| TOTAL LIABILITIES | - | 501,205 | 167,270 | 668,475 |
| NET ASSETS: | | | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | - | 64,584 | 4,030,462 | 4,095,046 |
| UNRESTRICTED | 2,481,572 | 3,998,809 | 6,537,683 | 13,018,064 |
| TOTAL NET ASSETS | \$ 2,481,572 | \$ 4,063,393 | \$ 10,568,145 | \$ 17,113,110 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | INSURANCE | INFORMATION SERVICES | EQUIPMENT RENTAL | TOTAL |
|--|---------------------|-------------------------|----------------------|----------------------|
| OPERATING REVENUES: | | | | |
| CHARGES FOR SERVICES | \$ - | \$ 3,983,304 | \$ 3,151,858 | \$ 7,135,162 |
| OTHER OPERATING REVENUE | - | 181,776 | - | 181,776 |
| TOTAL OPERATING REVENUES | - | 4,165,080 | 3,151,858 | 7,316,938 |
| OPERATING EXPENSES: | | | | |
| OPERATIONS & MAINTENANCE | - | 3,798,513 | 1,513,991 | 5,312,504 |
| ADMINISTRATION | 289,148 | - | 647,509 | 936,657 |
| DEPRECIATION/AMORTIZATION | - | 477,010 | 886,074 | 1,363,084 |
| TOTAL OPERATING EXPENSES | 289,148 | 4,275,523 | 3,047,574 | 7,612,245 |
| OPERATING INCOME (LOSS) | (289,148) | (110,443) | 104,284 | (295,307) |
| NON-OPERATING REVENUE (EXPENSE): | | | | |
| INTEREST REVENUE | 55,202 | 81,283 | 155,221 | 291,706 |
| OTHER NON-OPERATING REVENUES | - | - | 9,182 | 9,182 |
| GAIN (LOSS) ON SALE OF CAPITAL ASSETS | - | - | 385 | 385 |
| TOTAL NON-OPERATING REVENUE (EXPENSE) | 55,202 | 81,283 | 164,788 | 301,273 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | (233,946) | (29,160) | 269,072 | 5,966 |
| CAPITAL CONTRIBUTIONS | - | 64,584 | 195,614 | 260,198 |
| TRANSFERS IN (Note 5) | - | 273,900 | 720,600 | 994,500 |
| TRANSFERS OUT (Note 5) | - | (8,000) | (7,000) | (15,000) |
| CHANGE IN NET ASSETS | (233,946) | 301,324 | 1,178,286 | 1,245,664 |
| TOTAL NET ASSETS BEGINNING OF YEAR | 2,715,518 | 3,762,068 | 9,389,859 | 15,867,445 |
| TOTAL NET ASSETS END OF YEAR | \$ 2,481,572 | \$ 4,063,392 | \$ 10,568,145 | \$ 17,113,109 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Page 1 of 2

| | INSURANCE | INFORMATION SERVICES | EQUIPMENT RENTAL | TOTAL |
|--|---------------------|-------------------------|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| CASH RECEIVED FROM USERS | \$ - | \$ 4,201,881 | \$ 3,151,858 | \$ 7,353,739 |
| CASH PAID TO SUPPLIERS | (256,003) | (1,900,927) | (561,148) | (2,718,078) |
| CASH PAID FOR TAXES | (33,145) | - | 20 | (33,125) |
| CASH PAID FOR INVENTORY | - | - | (1,024,191) | (1,024,191) |
| CASH PAID TO EMPLOYEES | - | (1,878,242) | (626,284) | (2,504,526) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (289,148) | 422,712 | 940,255 | 1,073,819 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| TRANSFERS IN | - | 273,900 | 720,600 | 994,500 |
| TRANSFERS OUT | - | (8,000) | (7,000) | (15,000) |
| NET CASH PROVIDED (USED) BY NON- CAPITAL FINANCING ACTIVITIES | - | 265,900 | 713,600 | 979,500 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| PROCEEDS FROM SALE OF EQUIPMENT | - | - | 62,770 | 62,770 |
| PURCHASE OF CAPITAL ASSETS | - | (546,064) | (1,243,045) | (1,789,109) |
| CONTRIBUTED CAPITAL | - | 64,584 | - | 64,584 |
| PROCEEDS FROM INSURANCE SETTLEMENT | - | - | 8,560 | 8,560 |
| NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES | - | (481,480) | (1,171,715) | (1,653,195) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| PROCEEDS FROM SALE OF INVESTMENTS | - | - | 1,001,250 | 1,001,250 |
| INTEREST RECEIVED | 55,202 | 81,283 | 149,427 | 285,912 |
| NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES | 55,202 | 81,283 | 1,150,677 | 1,287,162 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (233,946) | 288,415 | 1,632,816 | 1,687,285 |
| CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR | 2,715,518 | 3,057,469 | 4,458,945 | 10,231,932 |
| CASH AND CASH EQUIVALENTS-END OF YEAR | \$ 2,481,572 | \$ 3,345,884 | \$ 6,091,761 | \$ 11,919,217 |
| CASH AT END OF YEAR CONSISTS OF: | | | | |
| CASH AND CASH EQUIVALENTS | \$ 2,481,572 | \$ 3,345,884 | \$ 6,091,761 | \$ 11,919,217 |
| TOTAL CASH | \$ 2,481,572 | \$ 3,345,884 | \$ 6,091,761 | \$ 11,919,217 |

CITY OF AUBURN, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

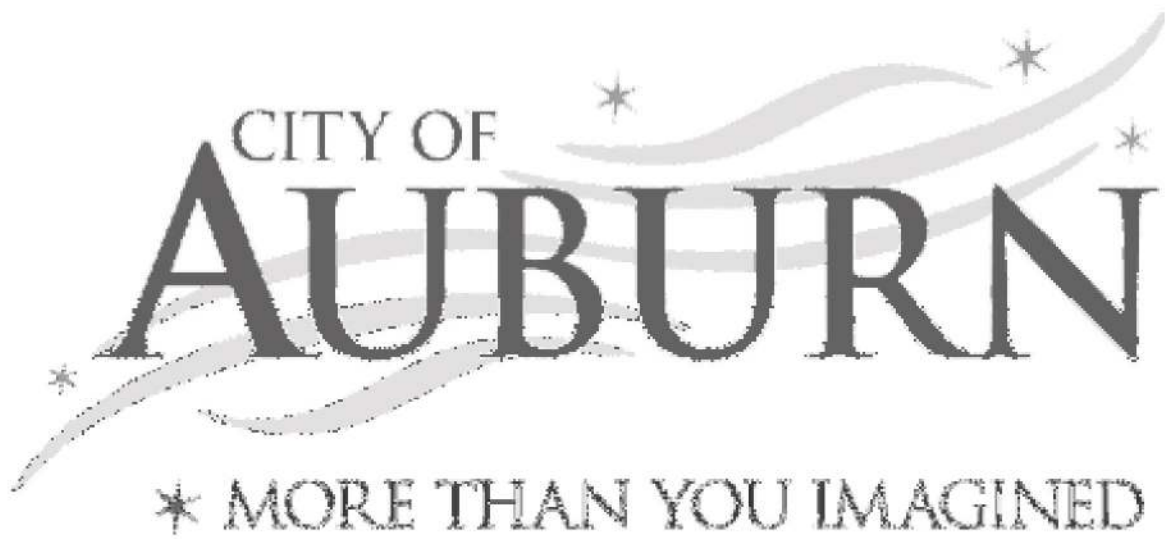
| | INSURANCE | INFORMATION SERVICES | EQUIPMENT RENTAL | TOTAL |
|--|---------------------|----------------------|-------------------|---------------------|
| RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| OPERATING INCOME (LOSS) | \$ (289,148) | \$ (110,443) | \$ 104,284 | \$ (295,307) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| DEPRECIATION | - | 477,010 | 886,074 | 1,363,084 |
| ASSET (INCREASES) DECREASES : | | | | |
| ACCOUNTS RECEIVABLE | - | 36,801 | - | 36,801 |
| INVENTORY | - | - | (8,671) | (8,671) |
| LIABILITY (INCREASES) DECREASES : | | | | |
| ACCOUNTS & VOUCHERS PAYABLE | - | 4,427 | (56,561) | (52,134) |
| WAGES & BENEFITS PAYABLE | - | 9,613 | 10,706 | 20,319 |
| COMPENSATED ABSENCES PAYABLE | - | 5,304 | 4,423 | 9,727 |
| TOTAL ADJUSTMENTS | - | 533,155 | 835,971 | 1,369,126 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (289,148)</u> | <u>\$ 422,712</u> | <u>\$ 940,255</u> | <u>\$ 1,073,819</u> |
| SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| CAPITAL ASSETS ACQUIRED BY CONTRIBUTED CAPITAL | \$ - | \$ (64,584) | \$ 195,614 | \$ 131,030 |
| TOTAL NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | <u>\$ -</u> | <u>\$ (64,584)</u> | <u>\$ 195,614</u> | <u>\$ 131,030</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, 2008

| | BALANCE 1/1/2008 | ADDITIONS | DEDUCTIONS | BALANCE 12/31/2008 |
|-----------------------------------|---------------------|---------------------|---------------------|-----------------------|
| ASSETS: | | | | |
| CASH AND CASH EQUIVALENTS | \$ 2,203,513 | \$ 3,874,859 | \$ 4,512,146 | \$ 1,566,226 |
| OTHER CURRENT ASSETS | 3,984 | 181,136 | 179,799 | 5,321 |
| DUE FROM OTHER GOVERNMENTAL UNITS | 394,508 | 2,613 | 394,508 | 2,613 |
| TOTAL ASSETS | \$ 2,602,005 | \$ 4,058,608 | \$ 5,086,453 | \$ 1,574,160 |
| LIABILITIES: | | | | |
| DUE TO OTHER GOVERNMENTAL UNITS | \$ 2,602,005 | \$ 6,002,417 | \$ 7,030,262 | \$ 1,574,160 |
| TOTAL LIABILITIES | \$ 2,602,005 | \$ 6,002,417 | \$ 7,030,262 | \$ 1,574,160 |



City of Auburn
STATISTICAL SECTION

December 31, 2008

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..... | 134 |
| Schedule 2 | Changes in net assets..... | 135 |
| Schedule 3 | Fund balances, governmental funds | 136 |
| Schedule 4 | Changes in fund balances, governmental funds | 137 |
| Schedule 5 | Tax revenues by source, governmental funds | 138 |

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.

| | | |
|-------------|---|-----|
| Schedule 6 | Assessed value by type..... | 139 |
| Schedule 7 | Property tax data..... | 140 |
| Schedule 8 | Property tax levies and collections | 142 |
| Schedule 9 | Principal taxpayers-property taxes | 143 |
| Schedule 10 | Retail tax collections by sector | 144 |

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.

| | | |
|-------------|---|-----|
| Schedule 11 | Ratios of outstanding debt by type | 145 |
| Schedule 12 | Computation of legal debt margin..... | 146 |
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| Schedule 14 | Computation of net direct and estimated overlapping debt..... | 147 |
| Schedule 15 | Ratio of net general bonded debt to assessed value | 148 |
| Schedule 16 | Pledged revenue bond coverages..... | 149 |

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..... | 150 |
| Schedule 18 | Major employers | 151 |

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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| Schedule 21 | Capital indicators by department..... | 135 |

CITY OF AUBURN, WASHINGTON
SCHEDULE 1
NET ASSETS BY COMPONENTS
LAST SIX FISCAL YEARS ⁽¹⁾
(ACCRUAL BASIS OF ACCOUNTING)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 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 |
| Restricted | 23,384,709 | 25,615,116 | 23,442,309 | 26,839,342 | 24,519,024 | 28,965,599 |
| Unrestricted | 29,547,005 | 28,490,736 | 24,095,336 | 24,148,157 | 26,774,107 | 25,955,501 |
| Total governmental activities net assets | \$ 219,988,976 | \$ 226,027,225 | \$ 241,658,877 | \$ 251,801,562 | \$ 263,904,363 | \$ 358,485,448 |
| 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 |
| Restricted | 1,919,515 | 1,969,809 | 2,238,611 | 6,987,485 | 1,227,395 | 933,914 |
| Unrestricted | 29,489,320 | 31,849,110 | 32,513,576 | 25,693,517 | 40,655,261 | 35,859,489 |
| Total business-type activities net assets | \$ 135,922,186 | \$ 140,602,553 | \$ 149,889,460 | \$ 157,946,154 | \$ 172,397,819 | \$ 181,419,899 |
| 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 |
| Restricted | 25,304,224 | 27,584,925 | 25,680,920 | 33,826,827 | 25,746,419 | 29,899,513 |
| Unrestricted | 59,036,325 | 60,339,846 | 56,608,912 | 49,841,674 | 67,429,368 | 61,814,990 |
| Total primary government net assets | \$ 355,911,162 | \$ 366,629,778 | \$ 391,548,337 | \$ 409,747,716 | \$ 436,302,182 | \$ 539,905,347 |

(1) Information available for 2003-2008 only due to new accounting and reporting standards beginning in 2003 with GASB Statement No. 34.

CITY OF AUBURN, WASHINGTON
 SCHEDULE 2
 CHANGES IN NET ASSETS
 LAST SIX FISCAL YEARS ⁽¹⁾
 (ACCRUAL BASIS OF ACCOUNTING)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 5,968,367 | \$ 4,235,953 | \$ 5,284,440 | \$ 6,462,578 | \$ 7,196,492 | \$ 8,000,715 |
| Public safety | 23,045,701 | 26,076,348 | 28,048,087 | 29,804,864 | 33,396,630 | 28,217,844 |
| Transportation | 3,071,195 | 8,239,795 | 7,956,286 | 7,619,268 | 8,077,154 | 12,974,861 |
| Physical environment | 1,845,059 | 2,415,047 | 2,209,652 | 2,418,543 | 3,269,334 | 3,096,696 |
| Culture and recreation | 5,108,683 | 4,949,050 | 5,324,543 | 5,729,431 | 6,539,281 | 6,271,924 |
| Economic environment | 1,379,552 | 2,866,473 | 1,919,780 | 1,848,988 | 2,400,031 | 2,608,980 |
| Health and human services | 639,678 | 597,423 | 602,726 | 763,156 | 416,456 | 776,224 |
| Interest on long-term debt | 322,653 | 362,051 | 188,945 | 203,180 | 163,916 | 226,651 |
| Total governmental activities expenses | 41,380,888 | 49,742,140 | 51,534,459 | 54,850,008 | 61,459,294 | 62,173,895 |
| Business-type activities: | | | | | | |
| Water | 6,868,291 | 6,913,709 | 6,962,997 | 7,647,935 | 7,873,191 | 8,565,231 |
| Sewer | 9,949,763 | 11,207,786 | 12,044,330 | 11,878,252 | 13,974,607 | 14,479,299 |
| Storm drainage | 2,955,179 | 3,169,350 | 3,354,899 | 3,852,335 | 4,224,881 | 5,226,823 |
| Solid waste | 8,553,801 | 8,645,372 | 9,121,727 | 9,936,222 | 10,368,901 | 10,781,426 |
| Golf course | 874,809 | 973,110 | 1,032,733 | 1,020,070 | 1,576,126 | 1,958,703 |
| Non-major business-type activities | 1,730,969 | 1,624,365 | 1,593,944 | 1,618,285 | 1,735,118 | 1,720,603 |
| Total business-type activities expenses | 30,932,812 | 32,533,692 | 34,110,630 | 35,953,099 | 39,752,824 | 42,732,085 |
| Total primary government expenses | \$ 72,313,700 | \$ 82,275,832 | \$ 85,645,089 | \$ 90,803,107 | \$ 101,212,118 | \$ 104,905,980 |
| Program revenues | | | | | | |
| Governmental activities: | | | | | | |
| Charges for services | | | | | | |
| General Government | \$ 359,398 | \$ 561,013 | \$ 663,309 | \$ 820,585 | \$ 1,126,258 | \$ 2,316,125 |
| Public Safety | 1,354,900 | 1,767,687 | 2,109,284 | 2,514,867 | 3,100,973 | 2,674,777 |
| Transportation | 570,100 | 447,036 | 1,052,110 | 631,340 | 1,930,504 | 1,272,751 |
| Physical Environment | 237,772 | 365,681 | 244,766 | 436,503 | 576,539 | 257,780 |
| Culture and Recreation | 597,300 | 654,417 | 726,753 | 881,318 | 1,245,122 | 917,544 |
| Economic Environment | 2,088,948 | 3,097,230 | 3,169,262 | 2,590,763 | 2,070,534 | 1,638,579 |
| Total charges for services | 5,208,418 | 6,893,064 | 7,965,484 | 7,875,376 | 10,049,930 | 9,077,556 |
| Operating grants and contributions | 1,959,919 | 2,178,951 | 2,446,913 | 2,714,324 | 2,923,968 | 2,567,788 |
| Capital grants and contributions | 12,336,814 | 5,192,593 | 11,162,241 | 5,174,350 | 9,213,115 | 94,905,563 |
| Total governmental activities program revenues | 19,505,151 | 14,264,608 | 21,573,638 | 15,764,050 | 22,187,013 | 106,550,907 |
| Business-type activities: | | | | | | |
| Charges for services | 31,233,491 | 31,747,066 | 32,658,440 | 36,226,324 | 38,784,127 | 39,883,386 |
| Operating grants and contributions | 33,384 | 33,384 | 54,999 | 47,961 | 43,263 | 55,024 |
| Capital grants and contributions | 6,985,742 | 4,351,278 | 7,857,856 | 3,988,202 | 12,479,500 | 10,670,660 |
| Total business-type activities program revenues | 38,252,617 | 36,131,728 | 40,571,295 | 40,262,487 | 51,306,890 | 50,609,070 |
| Total primary government program revenues | 57,757,768 | 50,396,336 | 62,144,933 | 56,026,537 | 73,493,903 | 157,159,977 |
| Net (expense)/revenue | | | | | | |
| Governmental activities | (21,875,737) | (35,477,532) | (29,960,821) | (39,085,958) | (39,272,281) | 44,377,012 |
| Business-type activities | 7,319,805 | 3,598,036 | 6,460,665 | 4,309,388 | 11,554,066 | 7,876,985 |
| Total primary government net expense | \$ (14,555,932) | \$ (31,879,496) | \$ (23,500,156) | \$ (34,776,570) | \$ (27,718,215) | \$ 52,253,997 |
| 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 |
| Retail sales and use tax | 13,970,383 | 15,429,527 | 16,333,169 | 17,784,374 | 18,958,484 | 17,620,661 |
| Interfund utility taxes | 1,696,389 | 1,714,102 | 1,792,136 | 1,983,652 | 2,095,901 | 2,507,213 |
| Utility taxes | 4,225,725 | 5,012,010 | 5,349,713 | 5,893,041 | 6,073,429 | 8,075,355 |
| Excise taxes | 3,401,498 | 3,384,515 | 4,633,037 | 4,568,549 | 3,862,692 | 3,477,517 |
| Other taxes | 1,699,275 | 1,678,485 | 1,796,224 | 1,859,428 | 2,005,836 | 2,949,430 |
| Investment earnings | 769,239 | 708,259 | 1,465,102 | 2,454,694 | 2,993,174 | 1,589,837 |
| Miscellaneous | 96,168 | 192,469 | 564,416 | 69,037 | (406,847) | 2,751,495 |
| Transfers | (1,225,054) | 627,000 | 194,286 | (570,588) | (371,660) | 427,740 |
| Total governmental activities | 37,074,347 | 41,345,321 | 45,592,473 | 49,228,643 | 51,375,082 | 50,204,073 |
| Business-type activities: | | | | | | |
| Investment earnings | 306,862 | 421,803 | 895,870 | 1,574,444 | 2,098,417 | 1,242,363 |
| Miscellaneous | 545,087 | 1,287,528 | 2,124,658 | 1,602,274 | 427,522 | 330,472 |
| Transfers | 1,225,054 | (627,000) | (194,286) | 570,588 | 371,660 | (427,740) |
| Total business-type activities: | 2,077,003 | 1,082,331 | 2,826,242 | 3,747,306 | 2,897,599 | 1,145,095 |
| Total primary government | \$ 39,151,350 | \$ 42,427,652 | \$ 48,418,715 | \$ 52,975,949 | \$ 54,272,681 | \$ 51,349,168 |
| Change in net assets | | | | | | |
| Governmental activities | \$ 15,198,610 | \$ 5,867,789 | \$ 15,631,652 | \$ 10,142,685 | \$ 12,102,801 | \$ 94,581,085 |
| Business-type activities | 9,396,808 | 4,680,367 | 9,286,907 | 8,056,694 | 14,451,665 | 9,022,080 |
| Total primary government | \$ 24,595,418 | \$ 10,548,156 | \$ 24,918,559 | \$ 18,199,379 | \$ 26,554,466 | \$ 103,603,165 |

(1) Information available for 2003-2008 only due to new accounting and reporting standards beginning in 2003 with GASB Statement No. 34.

CITY OF AUBURN, WASHINGTON
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS ⁽¹⁾
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | |
| Unreserved | \$ 18,496,495 | \$ 20,702,250 | \$ 15,938,825 | \$ 14,448,328 | \$ 14,462,720 | \$ 13,071,091 |
| Total general fund | \$ 18,496,495 | \$ 20,702,250 | \$ 15,938,825 | \$ 14,448,328 | \$ 14,462,720 | \$ 13,071,091 |
| All other governmental funds | | | | | | |
| Reserved | \$ 1,133,206 | \$ 1,270,769 | \$ 1,375,591 | \$ 1,376,798 | \$ 1,501,033 | \$ 1,507,565 |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 9,776,846 | 10,612,069 | 8,967,039 | 10,738,431 | 13,124,661 | 14,463,370 |
| Capital projects funds | 13,930,030 | 13,852,020 | 13,111,273 | 14,727,423 | 9,873,331 | 12,990,032 |
| Permanent funds | 233,800 | 222,020 | 232,832 | 188,524 | 170,983 | 144,396 |
| Total all other governmental funds | \$ 25,073,882 | \$ 25,956,878 | \$ 23,686,735 | \$ 27,031,176 | \$ 24,670,008 | \$ 29,105,363 |

(1) Information available for 2003-2008 only due to new accounting and reporting standards beginning 2003 with GASB Statement No. 34.

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| Revenues | | | | | | |
| Taxes | \$ 35,734,592 | \$ 38,258,799 | \$ 41,467,853 | \$ 44,867,161 | \$ 46,721,651 | \$ 43,781,530 |
| Licenses and permits | 1,255,582 | 2,248,576 | 2,227,963 | 1,683,320 | 1,606,950 | 1,110,722 |
| Intergovernmental | 6,756,672 | 4,697,501 | 6,826,222 | 6,831,240 | 5,766,484 | 8,369,888 |
| Charges for services | 2,924,962 | 3,393,178 | 3,939,610 | 3,659,773 | 5,017,224 | 3,784,544 |
| Fines and forfeits | 836,244 | 845,721 | 777,241 | 1,054,201 | 2,155,120 | 2,059,771 |
| Special assessments | 177,588 | 127,976 | 153,627 | 75,574 | 52,291 | 57,402 |
| Investment earnings | 300,213 | 336,442 | 1,175,258 | 1,477,368 | 2,456,291 | 1,363,375 |
| Miscellaneous | 1,102,089 | 2,452,468 | 1,247,252 | 1,865,079 | 877,473 | 1,296,349 |
| Total revenues | 49,087,942 | 52,360,661 | 57,815,026 | 61,513,716 | 64,653,484 | 61,823,581 |
| Expenditures | | | | | | |
| General government | 5,737,882 | 5,472,630 | 5,308,663 | 6,062,037 | 6,834,084 | 7,719,205 |
| Public safety | 22,658,127 | 25,870,873 | 27,169,657 | 29,148,278 | 33,568,753 | 26,023,912 |
| Transportation | 4,327,863 | 5,152,344 | 10,337,587 | 9,403,147 | 7,385,929 | 8,910,967 |
| Physical environment | 1,911,616 | 2,304,248 | 2,191,796 | 2,435,201 | 3,352,466 | 3,490,636 |
| Economic environment | 1,316,782 | 2,796,902 | 1,877,675 | 1,928,978 | 2,142,282 | 2,530,827 |
| Health and human services | 639,678 | 597,423 | 602,726 | 763,156 | 416,456 | 776,224 |
| Culture and recreation | 4,453,173 | 4,806,217 | 4,815,643 | 5,016,554 | 6,571,275 | 6,296,743 |
| Capital outlay ⁽²⁾ | 3,357,827 | 12,100,966 | 507,484 | 3,822,895 | 7,346,316 | 4,778,334 |
| Debt service: | | | | | | |
| Principal | 1,162,465 | 1,018,355 | 10,582,246 | 420,631 | 435,093 | 456,655 |
| Interest / other | 333,439 | 248,005 | 315,960 | 247,551 | 203,266 | 264,997 |
| Total expenditures | 45,898,852 | 60,367,963 | 63,709,437 | 59,248,428 | 68,255,920 | 61,248,500 |
| Excess of revenues over (under) expenditures | 3,189,090 | (8,007,302) | (5,894,411) | 2,265,288 | (3,602,436) | 575,081 |
| Other financing sources (uses) | | | | | | |
| Transfers in | 5,458,804 | 3,946,424 | 9,753,294 | 8,873,200 | 6,103,144 | 7,386,082 |
| Transfers out | (6,561,204) | (3,319,424) | (11,703,804) | (9,554,816) | (5,542,988) | (7,993,842) |
| Capital leases | - | 10,350,000 | - | - | 695,504 | 17,728 |
| Issuance of long-term debt | - | - | - | 142,313 | - | 360,000 |
| Sales of capital assets | 26,930 | 119,053 | 811,353 | 127,959 | - | 2,698,677 |
| Total other financing sources (uses) | (1,075,470) | 11,096,053 | (1,139,157) | (411,344) | 1,255,660 | 2,468,645 |
| Net change in fund balances | \$ 2,113,620 | \$ 3,088,751 | \$ (7,033,568) | \$ 1,853,944 | \$ (2,346,776) | \$ 3,043,726 |
| Debt service as a percentage of noncapital expenditures | 3.52% | 2.62% | 17.24% | 1.21% | 1.05% | 1.28% |

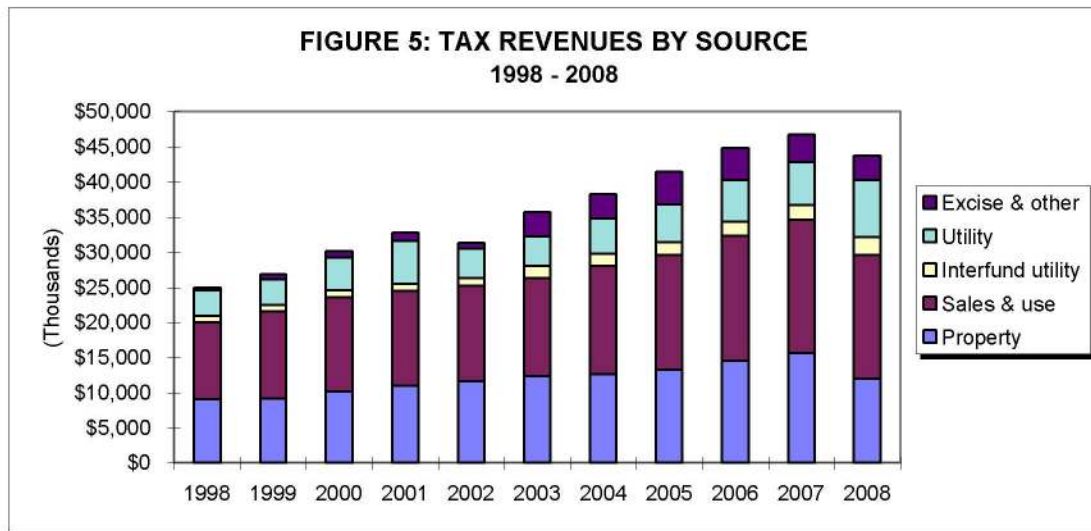
(1) Information available for 2003-2008 only due to new accounting and reporting standards beginning 2003 with GASB Statement No. 34.

(2) Capital outlay of \$4,778,334 for 2008 is for Governmental Funds only. Proprietary Funds capital outlay was \$5,518,270 for total capital outlay of \$10,296,604 as reported on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

**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 |
|------------------|--------------|---------------|-------------------|--------------|------------|-----------|---------------|
| 1999 | \$ 9,224,087 | \$ 12,388,117 | \$ 913,629 | \$ 3,694,650 | \$ 603,461 | \$ 83,858 | \$ 26,907,802 |
| 2000 | 10,209,181 | 13,376,907 | 972,327 | 4,704,155 | 850,570 | 78,265 | 30,191,405 |
| 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 |
| Change 1999-2008 | 30.5% | 42.2% | 174.4% | 118.6% | 476.3% | -27.7% | 62.7% |

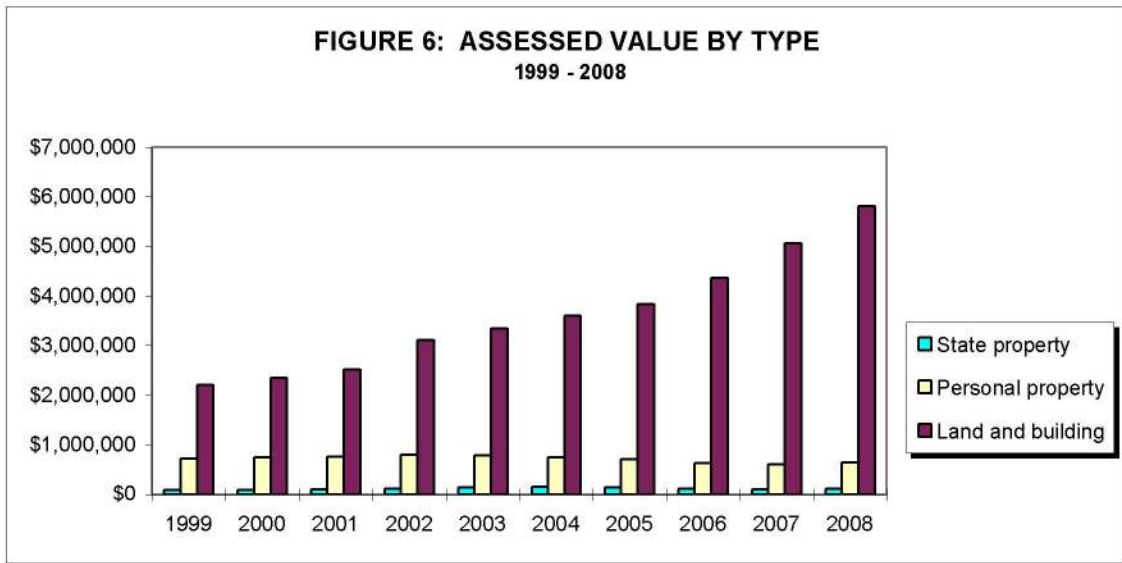
Fiscal years 1999-2002 include tax revenues collected in the general and special revenue funds.
Fiscal years 2003-2008 include all governmental funds.



**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 |
|-------------|--------------------------|-------------------|-------------------|----------------------|-------------------|
| 1999 | \$ 84,456 | \$ 719,317 | \$ 2,200,628 | \$ 3,004,401 | \$ 3.04 |
| 2000 | 82,105 | 746,579 | 2,345,551 | 3,174,235 | 3.00 |
| 2001 | 104,117 | 751,709 | 2,510,519 | 3,366,345 | 2.99 |
| 2002 | 115,189 | 800,159 | 3,104,524 | 4,019,872 | 2.93 |
| 2003 | 140,531 | 787,022 | 3,344,271 | 4,271,824 | 2.93 |
| 2004 | 150,458 | 742,255 | 3,599,466 | 4,492,179 | 2.87 |
| 2005 | 137,611 | 704,061 | 3,834,629 | 4,676,301 | 2.88 |
| 2006 | 116,895 | 623,298 | 4,359,276 | 5,099,469 | 2.87 |
| 2007 | 101,419 | 607,875 | 5,055,734 | 5,765,028 | 2.73 |
| 2008 | 112,101 | 640,004 | 5,804,585 | 6,556,690 | 1.48 |

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

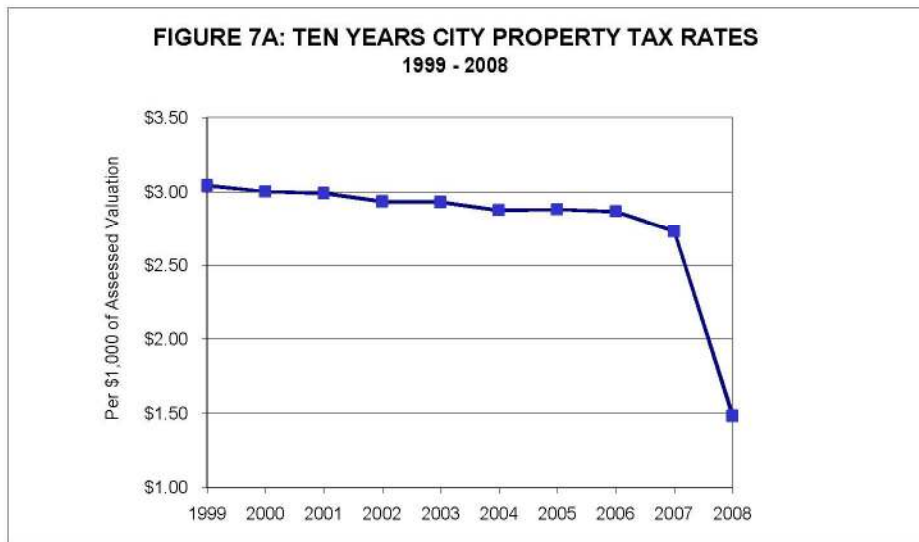


**CITY OF AUBURN, WASHINGTON
SCHEDULE 7
PROPERTY TAX DATA
LAST TEN FISCAL YEARS**

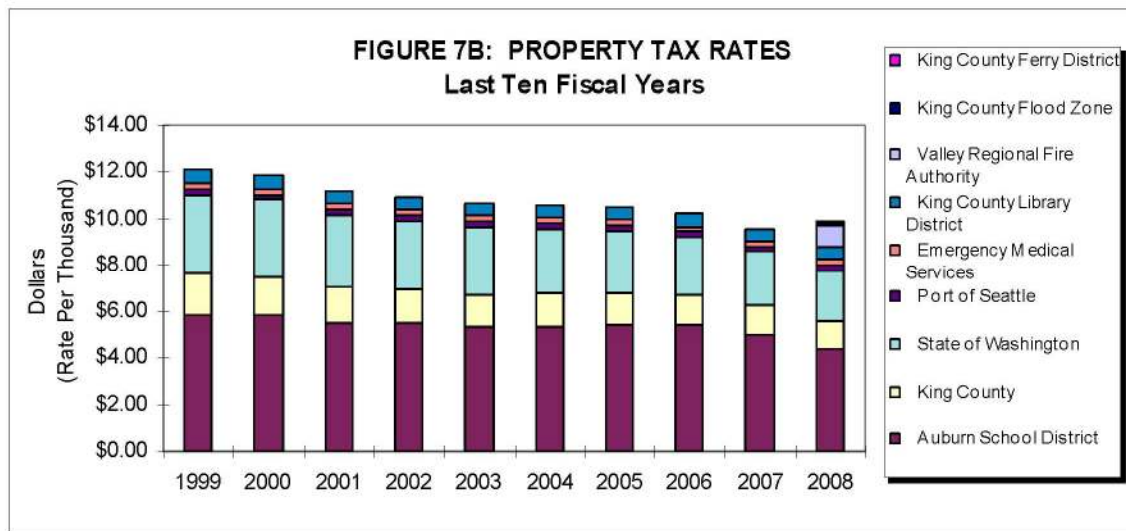
| Item | 1999 | 2000 | 2001 | 2002 |
|--|--------------------|--------------------|--------------------|--------------------|
| Assessed and estimated actual values ⁽¹⁾ | | | | |
| Estimated and actual value (in thousands) | \$ 3,004,401 | \$ 3,174,235 | \$ 3,366,345 | \$ 4,019,872 |
| Assessed value (in thousands) | \$ 3,004,401 | \$ 3,174,235 | \$ 3,366,345 | \$ 4,019,872 |
| Ratio of assessed to actual | 100% | 100% | 100% | 100% |
| Property tax rates ⁽¹⁾ | | | | |
| Direct regular and special | | | | |
| General fund | \$ 3.04212 | \$ 3.00157 | \$ 2.98932 | \$ 2.93353 |
| Debt service funds | - | - | - | - |
| Subtotal | \$ 3.04212 | \$ 3.00157 | \$ 2.98932 | \$ 2.93353 |
| Overlapping regular and special ⁽¹⁾ | | | | |
| Auburn School District | \$ 5.86647 | \$ 5.80795 | \$ 5.47999 | \$ 5.47810 |
| King County | 1.77385 | 1.68951 | 1.55218 | 1.44949 |
| State of Washington | 3.35872 | 3.30278 | 3.14502 | 2.98946 |
| Port of Seattle | 0.23898 | 0.21585 | 0.19029 | 0.18956 |
| Emergency Medical Services | 0.29000 | 0.27299 | 0.24624 | 0.25000 |
| King County Library District | 0.59120 | 0.58651 | 0.55737 | 0.52581 |
| Valley Regional Fire Authority | - | - | - | - |
| King County Flood Zone | - | - | - | - |
| King County Ferry District | - | - | - | - |
| Subtotal | 12.11922 | 11.87559 | 11.17109 | 10.88242 |
| Total direct and overlapping | \$ 15.16134 | \$ 14.87716 | \$ 14.16041 | \$ 13.81595 |

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.



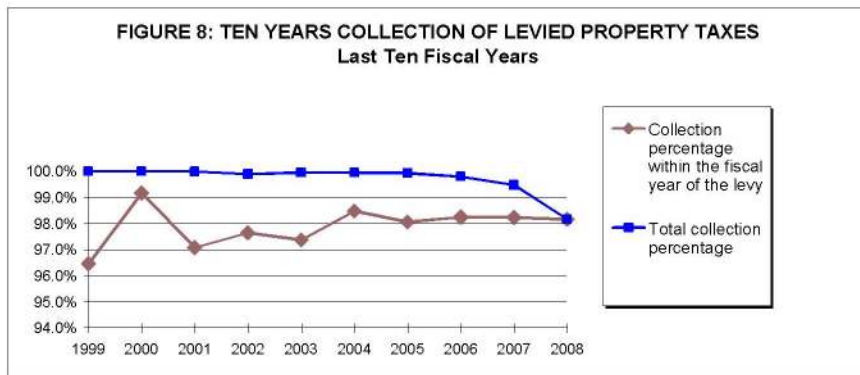
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 ⁽²⁾ |
|----|-----------|--------------|--------------|--------------|--------------|---------------------|
| \$ | 4,271,824 | \$ 4,492,179 | \$ 4,676,301 | \$ 5,099,469 | \$ 5,765,028 | \$ 6,556,690 |
| \$ | 4,271,824 | \$ 4,492,179 | \$ 4,676,301 | \$ 5,099,469 | \$ 5,765,028 | \$ 6,556,690 |
| | 100% | 100% | 100% | 100% | 100% | 100% |
| \$ | 2.92857 | \$ 2.87319 | \$ 2.88000 | \$ 2.86520 | \$ 2.73076 | \$ 1.48385 |
| | - | - | - | - | - | - |
| \$ | 2.92857 | \$ 2.87319 | \$ 2.88000 | \$ 2.86520 | \$ 2.73076 | \$ 1.48385 |
| \$ | 5.35720 | \$ 5.34914 | \$ 5.37195 | \$ 5.37383 | \$ 4.94903 | \$ 4.40970 |
| | 1.34948 | 1.43146 | 1.38229 | 1.32869 | 1.28956 | 1.20770 |
| | 2.89680 | 2.75678 | 2.68951 | 2.49787 | 2.32535 | 2.13233 |
| | 0.25895 | 0.25402 | 0.25321 | 0.23330 | 0.23158 | 0.22359 |
| | 0.24143 | 0.23717 | 0.23182 | 0.21982 | 0.20621 | 0.30000 |
| | 0.54568 | 0.53653 | 0.53255 | 0.53424 | 0.50027 | 0.45336 |
| | - | - | - | - | - | 1.00000 |
| | - | - | - | - | - | 0.10000 |
| | - | - | - | - | - | 0.05500 |
| | 10.64954 | 10.56510 | 10.46133 | 10.18775 | 9.50200 | 9.88168 |
| \$ | 13.57811 | \$ 13.43829 | \$ 13.34133 | \$ 13.05295 | \$ 12.23276 | \$ 11.36553 |



**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 | | |
| King County: | | | | | | | | |
| 1999 | \$ 9,653,173 | \$ 9,312,513 | 96.5% | \$ 340,660 | \$ 9,653,173 | 100.000% | \$ - | |
| 2000 | 10,105,107 | 10,022,441 | 99.2% | 82,666 | 10,105,107 | 100.000% | - | |
| 2001 | 11,134,267 | 10,814,089 | 97.1% | 319,335 | 11,133,424 | 99.992% | 843 | |
| 2002 | 11,530,359 | 11,261,600 | 97.7% | 256,026 | 11,517,626 | 99.890% | 12,733 | |
| 2003 | 12,082,591 | 11,765,654 | 97.4% | 311,485 | 12,077,139 | 99.955% | 5,452 | |
| 2004 | 12,212,321 | 12,031,253 | 98.5% | 174,705 | 12,205,958 | 99.948% | 6,363 | |
| 2005 | 12,639,642 | 12,393,241 | 98.1% | 236,853 | 12,630,094 | 99.924% | 9,548 | |
| 2006 | 13,399,943 | 13,164,248 | 98.2% | 208,684 | 13,372,932 | 99.798% | 27,011 | |
| 2007 | 13,846,324 | 13,605,301 | 98.3% | 167,168 | 13,772,469 | 99.467% | 73,855 | |
| 2008 | 9,554,019 | 9,406,398 | 98.5% | - | 9,406,398 | 98.455% | 147,621 | |
| | | | | | | | <u>\$ 283,426</u> | |
| Pierce County: | | | | | | | | |
| 1999 | \$ - | \$ - | - | \$ - | - | 0.000% | \$ - | |
| 2000 | 60,601 | 59,086 | 97.5% | 1,515 | 60,601 | 100.000% | - | |
| 2001 | 114,323 | 105,707 | 92.5% | 8,616 | 114,323 | 100.000% | - | |
| 2002 | 267,001 | 258,385 | 96.8% | 8,616 | 267,001 | 100.000% | - | |
| 2003 | 435,886 | 423,834 | 97.2% | 12,052 | 435,886 | 100.000% | - | |
| 2004 | 579,828 | 566,356 | 97.7% | 13,472 | 579,828 | 100.000% | - | |
| 2005 | 783,135 | 769,223 | 98.2% | 13,912 | 783,135 | 100.000% | - | |
| 2006 | 1,242,039 | 1,220,642 | 98.3% | 19,454 | 1,240,096 | 99.844% | 1,943 | |
| 2007 | 1,852,229 | 1,816,706 | 98.1% | 27,546 | 1,844,252 | 99.569% | 7,977 | |
| 2008 | 1,227,268 | 1,177,665 | 96.0% | - | 1,177,665 | 95.958% | 49,603 | |
| | | | | | | | <u>\$ 59,523</u> | |
| | | | | | | | <u>\$ 342,950</u> | |

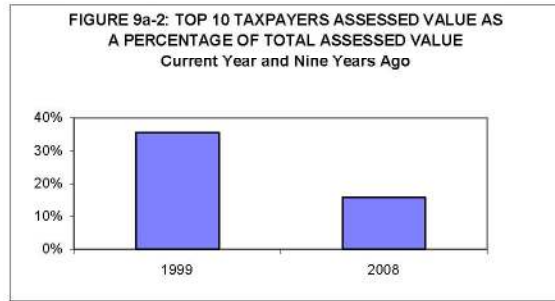
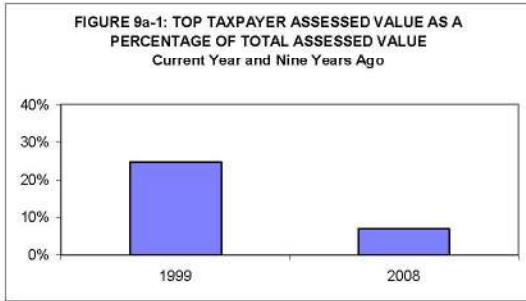
Source: King County Finance and Business Operations Division
Pierce County Budget and Finance Department



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

| Taxpayer | 2008 | | | 1999 | | |
|-----------------------------------|-------------------------|------|---|-------------------------|------|---|
| | Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Boeing Company | \$ 457,846,367 | 1 | 6.98% | \$ 742,858,235 | 1 | 24.73% |
| Glimcher Realty Trust (Supermall) | 124,696,902 | 2 | 1.90% | 135,999,497 | 2 | 4.53% |
| Safeway | 121,011,972 | 3 | 1.85% | - | - | - |
| EPropertyTax Inc. | 74,665,100 | 4 | 1.14% | - | - | - |
| Puget Sound Energy | 58,958,636 | 5 | 0.90% | 26,670,286 | 4 | 0.89% |
| Muckleshoot Indian Tribe | 57,234,500 | 6 | 0.87% | - | - | - |
| Investco Realty Advisors | 53,946,000 | 7 | 0.82% | - | - | - |
| Universal Health | 47,220,355 | 8 | 0.72% | 26,638,455 | 5 | 0.89% |
| Qwest Corporation | 24,144,890 | 9 | 0.37% | 19,830,156 | 8 | 0.66% |
| Roundup Co. (Fred Meyer) | 19,217,762 | 10 | 0.29% | 12,449,446 | 10 | 0.41% |
| La Terra Limited Partnership | - | - | - | 44,380,100 | 3 | 1.48% |
| Quadrant Corporation | - | - | - | 25,024,000 | 6 | 0.83% |
| Fritz Companies | - | - | - | 21,764,700 | 7 | 0.72% |
| West Valley 29 Partners | - | - | - | 12,480,126 | 9 | 0.42% |
| TOTALS | \$ 1,038,942,484 | | 15.85% | \$ 1,068,095,001 | | 35.55% |

Source: King County and Pierce County Departments of Assessments
 Total assessed value for 2008 is \$6,556,690,000
 Total assessed value for 1999 is \$3,004,401,000



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

| 2008 | | | | 1999 | | | |
|--------------------|----------------|------|---|--------------------|------------|------|---|
| 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 |
| \$ 401,376 | Automotive | 1 | 2.6% | NOT AVAILABLE | | | |
| 388,323 | Distribution | 2 | 2.5% | | | | |
| 340,904 | Automotive | 3 | 2.2% | | | | |
| 332,807 | General retail | 4 | 2.1% | | | | |
| 296,036 | General retail | 5 | 1.9% | | | | |
| 281,174 | General retail | 6 | 1.8% | | | | |
| 269,511 | Automotive | 7 | 1.7% | | | | |
| 253,829 | Manufacturing | 8 | 1.6% | | | | |
| 236,397 | General retail | 9 | 1.5% | | | | |
| 207,144 | General retail | 10 | 1.3% | | | | |
| \$3,007,501 | | | 19.3% | | | | |

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)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| RETAIL TRADE SECTOR | | | | | | | | | | |
| Automotive/gas | \$ 2,429 | \$ 2,755 | \$ 2,607 | \$ 2,827 | \$ 2,862 | \$ 2,893 | \$ 3,326 | \$ 3,428 | \$ 3,643 | \$ 3,255 |
| Furniture | 300 | 336 | 306 | 276 | 318 | 438 | 218 | 263 | 268 | 241 |
| Electronics & appliances | - | - | - | - | - | - | 451 | 288 | 262 | 242 |
| Building materials | 201 | 202 | 314 | 371 | 412 | 479 | 488 | 594 | 615 | 521 |
| Food stores | 532 | 542 | 538 | 526 | 401 | 395 | 358 | 346 | 378 | 360 |
| Health & personal care | - | - | - | - | - | - | 120 | 130 | 143 | 152 |
| Apparel | 609 | 600 | 624 | 646 | 649 | 765 | 836 | 874 | 899 | 873 |
| General merchandise | 420 | 373 | 468 | 646 | 909 | 990 | 970 | 941 | 974 | 872 |
| Food/Drink | 502 | 542 | 566 | 560 | 596 | 651 | - | - | - | - |
| Misc retail trade | 886 | 1,205 | 1,228 | 1,017 | 864 | 905 | 724 | 939 | 1,334 | 1,234 |
| | \$ 5,879 | \$ 6,555 | \$ 6,651 | \$ 6,869 | \$ 7,011 | \$ 7,515 | \$ 7,491 | \$ 7,803 | \$ 8,516 | \$ 7,750 |
| SERVICE SECTOR | | | | | | | | | | |
| Information | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 506 | \$ 507 | \$ 531 | \$ 489 |
| Finance & insurance | - | - | - | - | - | - | 86 | 84 | 85 | 85 |
| Real estate, rental, leasing | - | - | - | - | - | - | 294 | 311 | 330 | 394 |
| Professional, scientific, technical | - | - | - | - | - | - | 119 | 116 | 162 | 146 |
| Administrative, supply & remediation Services | - | - | - | - | - | - | 197 | 195 | 301 | 261 |
| Educational | - | - | - | - | - | - | 81 | 81 | 87 | 91 |
| Healthcare & social services | - | - | - | - | - | - | 45 | 33 | 88 | 98 |
| Arts & entertainment | - | - | - | - | - | - | 104 | 126 | 172 | 171 |
| Accommodation & food service | - | - | - | - | - | - | 764 | 833 | 870 | 915 |
| Other services | - | - | - | - | - | - | 477 | 492 | 502 | 457 |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,673 | \$ 2,779 | \$ 3,128 | \$ 3,107 |
| OTHER SECTORS: | | | | | | | | | | |
| Services * | \$ 1,206 | \$ 1,248 | \$ 1,162 | \$ 1,154 | \$ 1,182 | \$ 1,152 | \$ - | \$ - | \$ - | \$ - |
| Construction | 1,238 | 1,374 | 1,472 | 1,448 | 1,514 | 2,402 | 2,008 | 2,453 | 2,240 | 1,647 |
| Manufacturing | 357 | 288 | 368 | 607 | 882 | 793 | 414 | 486 | 625 | 643 |
| Transportation | 401 | 433 | 459 | 426 | 400 | 401 | 31 | 26 | 22 | 76 |
| Wholesaling | 2,245 | 2,166 | 2,184 | 1,676 | 1,674 | 1,795 | 2,313 | 2,571 | 2,943 | 2,306 |
| Banking | 101 | 70 | 89 | 110 | 98 | 127 | - | - | - | - |
| Other business | 75 | 94 | 102 | 126 | 121 | 108 | 73 | 72 | 143 | 72 |
| Subtotal - other sectors | \$ 5,623 | \$ 5,673 | \$ 5,836 | \$ 5,547 | \$ 5,871 | \$ 6,779 | \$ 4,839 | \$ 5,607 | \$ 5,973 | \$ 4,744 |
| GRAND TOTAL | \$ 11,502 | \$ 12,228 | \$ 12,487 | \$ 12,416 | \$ 12,882 | \$ 14,294 | \$ 15,003 | \$ 16,189 | \$ 17,617 | \$ 15,601 |
| OVERLAPPING SALES TAX RATES | | | | | | | | | | |
| Basic sales tax rates | | | | | | | | | | |
| City of Auburn | 0.8415% | 0.8415% | 0.8415% | 0.8415% | 0.8415% | 0.8415% | 0.8415% | 0.8415% | 0.8415% | 0.8415% |
| Washington State | 6.5000% | 6.5000% | 6.5000% | 6.5000% | 6.5000% | 6.5000% | 6.5000% | 6.5000% | 6.5000% | 6.5000% |
| King County | 0.1585% | 0.1585% | 0.1585% | 0.1585% | 0.1585% | 0.1585% | 0.1585% | 0.1585% | 0.2585% | 0.3585% |
| Regional Transit Authority | 0.4000% | 0.4000% | 0.4000% | 0.4000% | 0.4000% | 0.4000% | 0.4000% | 0.4000% | 0.4000% | 0.4000% |
| Metro | 0.6000% | 0.6000% | 0.8000% | 0.8000% | 0.8000% | 0.8000% | 0.8000% | 0.8000% | 0.8000% | 0.8000% |
| Criminal Justice | 0.1000% | 0.1000% | 0.1000% | 0.1000% | 0.1000% | 0.1000% | 0.1000% | 0.1000% | 0.1000% | 0.1000% |
| Total basic sales tax rate | 8.6000% | 8.6000% | 8.8000% | 8.8000% | 8.8000% | 8.8000% | 8.8000% | 8.8000% | 8.9000% | 9.0000% |
| Special sales tax rates | | | | | | | | | | |
| Restaurants-for stadium funding | 0.5000% | 0.5000% | 0.5000% | 0.5000% | 0.5000% | 0.5000% | 0.5000% | 0.5000% | 0.5000% | 0.5000% |
| Motor vehicles-for multimodal transportation | - | - | - | - | 0.3000% | 0.3000% | 0.3000% | 0.3000% | 0.3000% | 0.3000% |

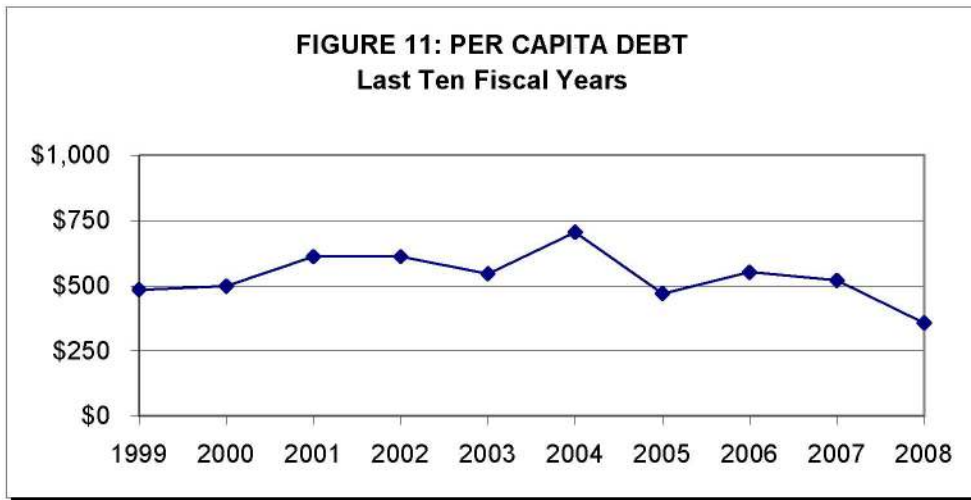
(1) Starting in March of 2005, the State of Washington switched from classifying retail sales using the Standard Industrial Classification (SIC) code to the North American Industry Classification System (NAICS). As a result, specific trend comparisons of 2005 results to prior year may not be meaningful.

**CITY OF AUBURN, WASHINGTON
SCHEDULE 11
RATIO 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 | | | |
| 1999 | \$ 5,545,000 | \$ 541,077 | \$ - | \$ 12,825,000 | \$ - | \$ 18,911,077 | 2.94% | \$ 485 |
| 2000 | 7,956,600 | 1,013,904 | - | 11,990,000 | - | 20,960,504 | 3.05% | 498.53 |
| 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 |

Source: City of Auburn, Finance Department

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



CITY OF AUBURN, WASHINGTON
SCHEDULE 12
COMPUTATION OF LEGAL DEBT MARGIN
 AS OF DECEMBER 31, 2008

| | General Capacity | | Special Purpose Capacity | | Total Capacity |
|--|------------------------|----------------|--------------------------|-----------------|----------------|
| | Councilmanic | Excess Levy | Parks and Open Spaces | Utility Purpose | |
| December 31, 2008 - Total Assessed Value: | | | | | |
| | \$8,719,721,892 | | | | |
| 2.5% of assessed value | \$ - | \$ 217,993,047 | \$ 217,993,047 | \$ 217,993,047 | \$ 653,979,142 |
| 1.5% of assessed value | 130,795,828 | (130,795,828) | - | - | - |
| Statutory debt limit | 130,795,828 | 87,197,219 | 217,993,047 | 217,993,047 | 653,979,142 |
| Debt outstanding | 10,770,955 | - | - | - | 10,770,955 |
| Less redemption fund assets: | | | | | |
| Available to pay principal | 3,125,168 | - | - | - | 3,125,168 |
| Plus liabilities: | | | | | |
| Payables | 1,610,708 | - | - | - | 1,610,708 |
| Vacation/sick leave | 1,472,857 | - | - | - | 1,472,857 |
| Net debt outstanding | 10,729,352 | - | - | - | 10,729,352 |
| Remaining debt capacity | \$ 120,066,476 | \$ 87,197,219 | \$ 217,993,047 | \$ 217,993,047 | \$ 643,249,790 |

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

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt Limit | \$ 238,068 | \$ 252,476 | \$ 252,476 | \$ 294,669 | \$ 336,913 | \$ 350,782 | \$ 350,782 | \$ 432,377 | \$ 489,472 | \$ 653,979 |
| Total net debt applicable to limit | 468 | 4,866 | (4,871) | (1,610) | 3,576 | 17,055 | 17,055 | 11,352 | 10,757 | 10,771 |
| Legal debt margin | \$ 237,600 | \$ 247,610 | \$ 257,347 | \$ 296,279 | \$ 333,337 | \$ 333,727 | \$ 333,727 | \$ 421,025 | \$ 478,715 | \$ 643,208 |
| Total net debt applicable to the limit as a percentage of debt limit | 0.20% | 1.93% | -1.93% | -0.55% | 1.06% | 4.86% | 4.86% | 2.63% | 2.20% | 1.65% |

CITY OF AUBURN, WASHINGTON
SCHEDULE 14
COMPUTATION OF NET DIRECT AND ESTIMATED OVERLAPPING DEBT
 AS OF DECEMBER 31, 2008

| | Net Debt Outstanding | Percent Applicable ⁽³⁾ | Bonded Amount Applicable |
|---|-------------------------|--------------------------------------|-----------------------------|
| Net direct debt: | | | |
| Net direct debt - City of Auburn ⁽¹⁾ | | | \$ 10,053,000 |
| Estimated net overlapping debt: ⁽²⁾ | | | |
| King County | \$ 1,040,881,000 | 1.68% | \$ 17,486,801 |
| Port of Seattle | 378,065,000 | 1.68% | 6,351,492 |
| School District No. 210 | 178,635,000 | 0.09% | 160,772 |
| School District No. 408 | 108,255,000 | 63.56% | 68,806,878 |
| School District No. 415 | 225,895,000 | 1.48% | 3,343,246 |
| Rural Library District | 66,359,355 | 2.75% | 1,824,882 |
| Pierce County | 125,756,218 | 0.93% | 1,169,533 |
| Total estimated net overlapping debt | | | 99,143,603 |
| Total direct and overlapping debt | | | \$ 109,196,603 |

Sources:

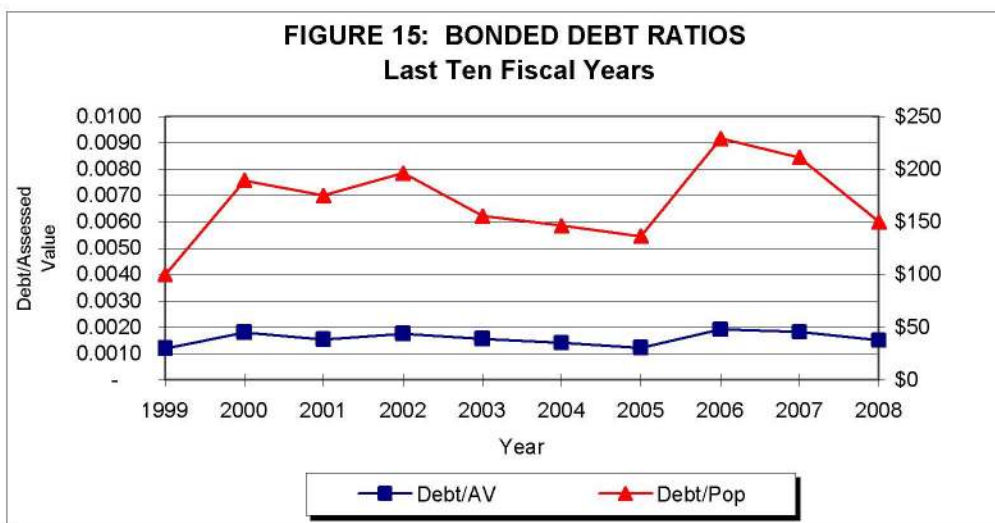
- (1) City of Auburn finance department; includes both bonded and non bonded general long-term debt
- (2) Overlapping governments
- (3) King County Assessors office, except for Pierce Co.

**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 |
|-------------|------------|--|----------------------------------|---|--------------------------------|--|------------------------------|
| 1999 | 38,980 | \$ 3,201,769 | \$ 3,890,000 | \$ 47,274 | \$ 3,843 | 0.12% | \$ 100 |
| 2000 | 42,045 | 3,392,920 | 7,956,600 | 1,807,092 | 6,150 | 0.18% | 189 |
| 2001 | 43,985 | 3,752,065 | 7,700,000 | 1,923,800 | 5,776 | 0.15% | 175 |
| 2002 | 44,685 | 3,928,917 | 8,769,108 | 1,843,957 | 6,925 | 0.18% | 196 |
| 2003 | 45,546 | 4,492,179 | 7,088,000 | 66,779 | 7,021 | 0.16% | 156 |
| 2004 | 46,135 | 4,677,093 | 6,754,000 | 159,042 | 6,595 | 0.14% | 146 |
| 2005 | 47,470 | 5,099,469 | 6,478,000 | 218,498 | 6,260 | 0.12% | 136 |
| 2006 | 48,955 | 5,765,028 | 11,210,000 | 144,449 | 11,066 | 0.19% | 229 |
| 2007 | 50,470 | 5,765,028 | 10,650,000 | 181,666 | 10,468 | 0.18% | 211 |
| 2008 | 67,005 | 6,556,690 | 10,053,000 | 171,565 | 9,881 | 0.15% | 150 |

Notes:

- (1) From Figure 6
- (2) Amount does not include special assessment and revenue bond debt.
- (3) Fund balances from debt service funds.



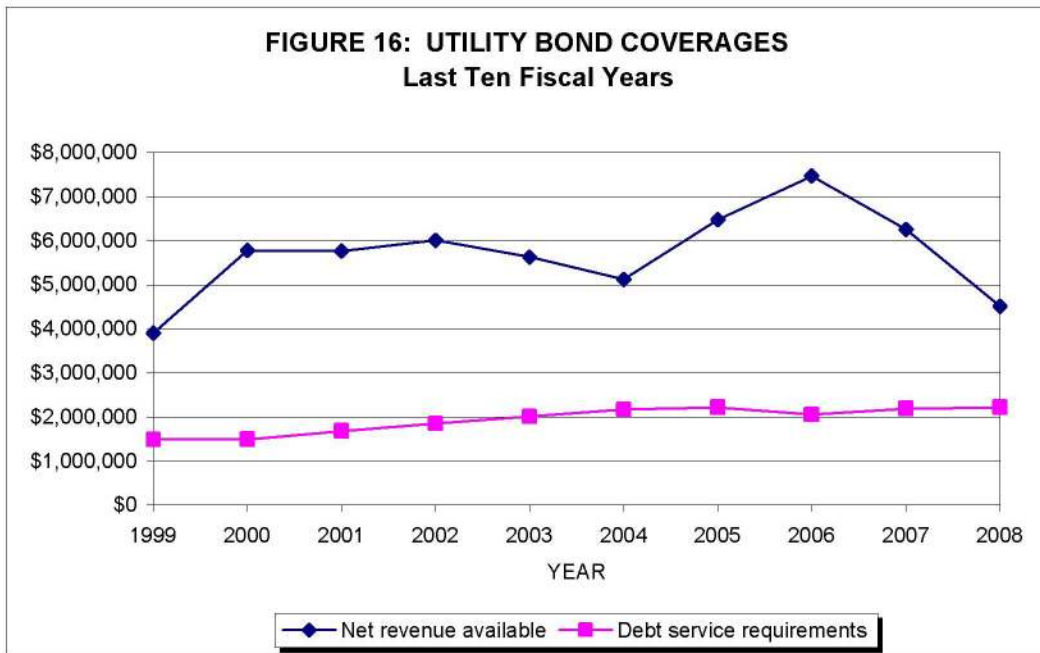
**CITY OF AUBURN, WASHINGTON
SCHEDULE 16
PLEGDED REVENUE BOND COVERAGES
LAST TEN FISCAL YEARS**

| Year | Gross ⁽¹⁾ Revenue | Direct ⁽²⁾ Operating Expense | Net Revenue Available | Debt Service Requirements | | | Times Coverage |
|------|---------------------------------|---|--------------------------|---------------------------|------------|--------------|-------------------|
| | | | | Principal | Interest | Total | |
| 1999 | \$ 15,760,351 | \$ 11,848,912 | \$ 3,911,439 | \$ 835,000 | \$ 650,945 | \$ 1,485,945 | 2.63 |
| 2000 | 17,749,951 | 11,961,126 | 5,788,825 | 880,000 | 614,245 | 1,494,245 | 3.87 |
| 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 |

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.

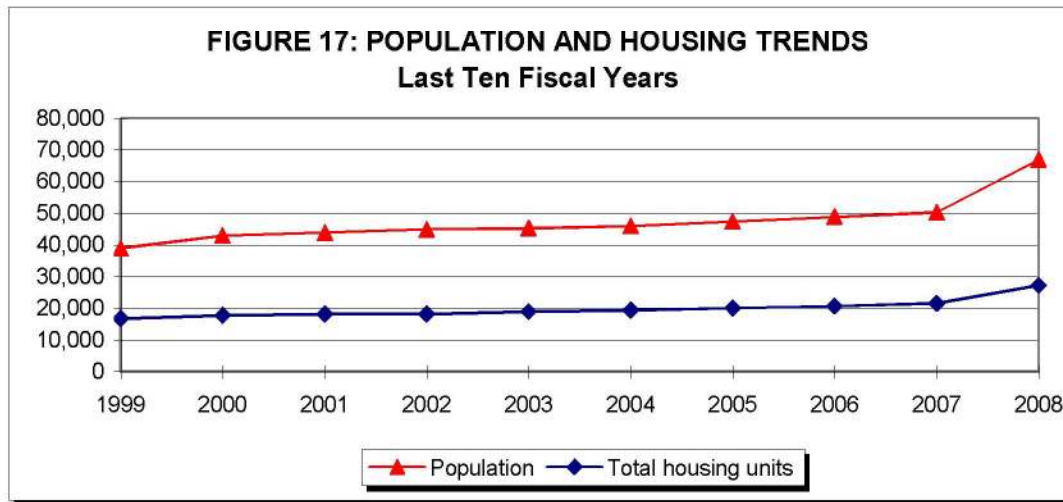


**CITY OF AUBURN, WASHINGTON
SCHEDULE 17
POPULATION, INCOME AND HOUSING TRENDS
LAST TEN FISCAL YEARS**

| Item | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|-----------|-----------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| School enrollment ⁽¹⁾ | 13,063 | 13,079 | 13,222 | 13,504 | 13,461 | 13,838 | 13,760 | 14,367 | 14,559 | 14,716 |
| Rate of unemployment ⁽²⁾ | 3.8% | 4.0% | 5.1% | 6.1% | 6.2% | 5.1% | 4.6% | 4.1% | 3.7% | 4.2% |
| Population ⁽³⁾ | 38,980 | 43,047 | 43,985 | 45,010 | 45,355 | 46,135 | 47,470 | 48,955 | 50,470 | 67,005 |
| Personal income (thousands of dollars) ⁽⁴⁾ | \$794,529 | \$913,500 | \$974,196 | \$1,040,462 | \$1,094,254 | \$1,161,714 | \$1,247,566 | \$1,342,818 | \$1,444,871 | \$2,024,087 |
| Per capita personal income ⁽⁴⁾ | \$20,383 | \$21,221 | \$22,148 | \$23,116 | \$24,126 | \$25,181 | \$26,281 | \$27,430 | \$28,628 | \$30,208 |
| Housing units ⁽⁵⁾ | | | | | | | | | | |
| One unit | 7,377 | 8,125 | 8,247 | 8,671 | 8,745 | 8,990 | 9,105 | 9,402 | 9,625 | 14,186 |
| Two or more | 7,217 | 7,520 | 7,667 | 7,452 | 7,790 | 8,078 | 8,655 | 8,943 | 9,623 | 10,375 |
| Mobile home or special | 2,204 | 2,212 | 2,302 | 2,144 | 2,474 | 2,421 | 2,346 | 2,407 | 2,382 | 2,761 |
| Total housing units | 16,798 | 17,857 | 18,216 | 18,267 | 19,009 | 19,489 | 20,106 | 20,752 | 21,630 | 27,322 |

Sources:

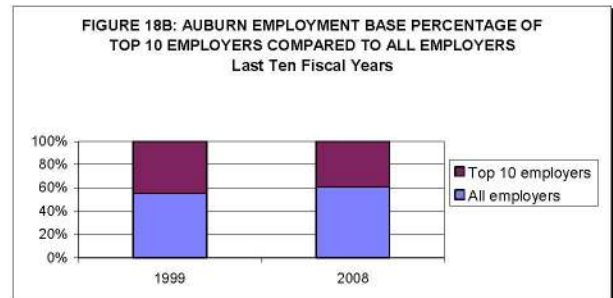
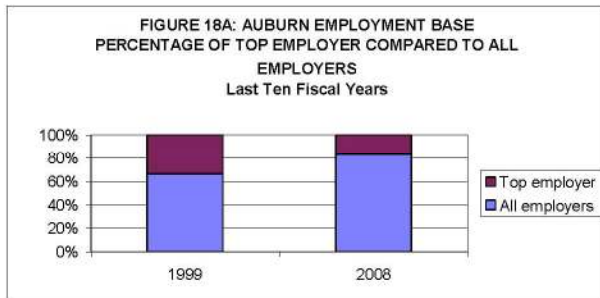
- (1) Auburn School District No. 408
- (2) WA State Employment Security Department - average King County rate
- (3) WA State Office of Financial Management
- (4) ESRI report data, 2000 and 2008 only, other years are City estimates
- (5) Office of Financial Management



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

| Employer | Product/service | 2008 | | | 1999 | | |
|---------------------------------|-----------------------------|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| The Boeing Company | Aerospace | 5,000 | 1 | 20.1% | 9,689 | 1 | 50.5% |
| Muckleshoot Tribal Enterprises | Gaming | 2,200 | 2 | 8.8% | 900 | 3 | 4.7% |
| Auburn School District | Education | 1,800 | 3 | 7.2% | 1,453 | 2 | 7.6% |
| Super Mall | Retail | 1,700 | 4 | 6.8% | | | |
| Green River Community College | Education | 1,067 | 5 | 4.3% | 650 | 4 | 3.4% |
| Safeway | Grocery Retail/Distribution | 900 | 6 | 3.6% | | | |
| Auburn Regional Medical Center | Hospital | 805 | 7 | 3.2% | 575 | 6 | 3.0% |
| Emerald Downs Racetrack | Horse racing | 678 | 8 | 2.7% | 600 | 5 | - |
| Social Security Administration | Gov't / public offices | 600 | 9 | 2.4% | 536 | 7 | 2.8% |
| Zones, Inc. | Technology reseller | 500 | 10 | 2.0% | | | |
| Federal Aviation Administration | Federal government | 500 | 10 | 2.0% | 500 | 8 | 2.6% |
| General Services Administration | Federal government | 500 | 10 | 2.0% | 325 | 10 | 1.7% |
| City of Auburn | City government | | | | 385 | 9 | 2.0% |
| TOTALS | | 16,250 | | 65.3% | 15,613 | | 78.3% |

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

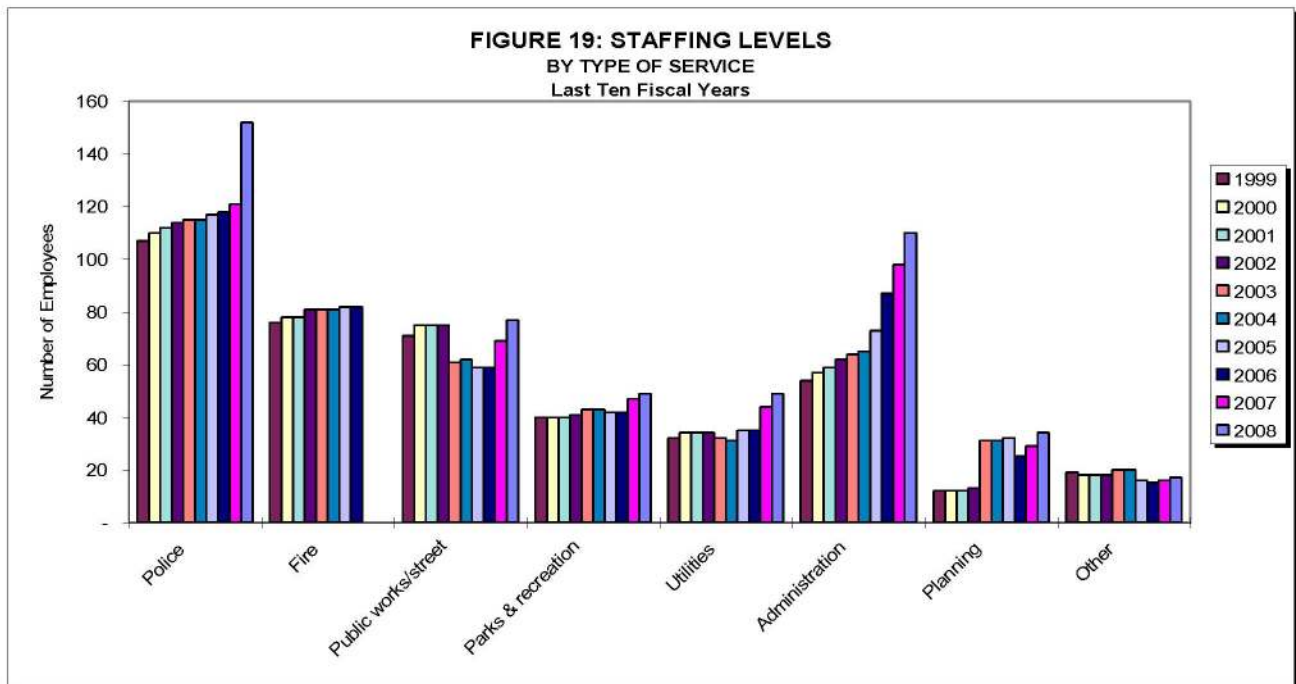


**CITY OF AUBURN, WASHINGTON
SCHEDULE 19
STAFFING LEVELS BY DEPARTMENT
LAST TEN FISCAL YEARS**

| Department | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 ⁽¹⁾ |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------------|
| Mayor | 3 | 3 | 3 | 3 | 4 | 4 | 8 | 10 | 11 | 12 |
| Human resources | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 15 | 17 | 18 |
| Finance | 25 | 25 | 26 | 27 | 28 | 28 | 21 | 23 | 24 | 25 |
| Municipal court | 9 | 10 | 11 | 12 | 12 | 13 | 14 | 15 | 17 | 21 |
| Legal | 11 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 14 | 16 |
| Planning | 12 | 12 | 12 | 13 | 31 | 31 | 32 | 25 | 29 | 34 |
| Police | 107 | 110 | 112 | 114 | 115 | 115 | 117 | 118 | 121 | 152 |
| Fire (1) | 76 | 78 | 78 | 81 | 81 | 81 | 82 | 82 | - | - |
| Public works | 58 | 62 | 62 | 62 | 48 | 49 | 48 | 48 | 54 | 63 |
| Parks & recreation | 34 | 34 | 34 | 35 | 37 | 37 | 36 | 36 | 38 | 40 |
| Street | 13 | 13 | 13 | 13 | 13 | 13 | 11 | 11 | 15 | 14 |
| Water | 13 | 14 | 14 | 14 | 16 | 16 | 16 | 16 | 19 | 20 |
| Sewer | 6 | 7 | 7 | 7 | 7 | 6 | 8 | 8 | 11 | 11 |
| Storm utility | 7 | 7 | 7 | 7 | 7 | 7 | 9 | 9 | 12 | 16 |
| Solid waste | 6 | 6 | 6 | 6 | 2 | 2 | 2 | 2 | 2 | 2 |
| Airport | 4 | 3 | 3 | 3 | 3 | 3 | - | - | - | - |
| Cemetery | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 7 | 7 |
| Golf course | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 9 | 9 |
| Equipment rental | 8 | 8 | 8 | 8 | 10 | 10 | 10 | 9 | 9 | 10 |
| Information services | - | - | - | - | - | - | 10 | 11 | 15 | 18 |
| TOTAL | 411 | 424 | 428 | 438 | 447 | 448 | 456 | 463 | 424 | 488 |

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.



CITY OF AUBURN, WASHINGTON
SCHEDULE 20
OPERATING INDICATORS BY DEPARTMENT
LAST TEN FISCAL YEARS

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|----------|----------|----------|----------|----------|-----------|-----------|----------|----------|----------|
| Planning | | | | | | | | | | |
| Commercial permits | 432 | 471 | 431 | 434 | 337 | 217 | 240 | 248 | 214 | 95 |
| Commercial construction value (\$1,000's) | \$93,971 | \$75,011 | \$74,924 | \$56,257 | \$50,269 | \$77,121 | \$71,047 | \$63,658 | \$63,658 | \$22,887 |
| Residential permits | 361 | 583 | 422 | 421 | 583 | 766 | 604 | 485 | 293 | 165 |
| Residential construction value (\$1,000's) | \$22,961 | \$65,077 | \$65,326 | \$55,108 | \$89,415 | \$155,551 | \$112,125 | \$61,872 | \$61,872 | \$27,048 |
| Police | | | | | | | | | | |
| Crimes: | | | | | | | | | | |
| Arson | 28 | 31 | 35 | 46 | 45 | 43 | 33 | 36 | 30 | 24 |
| Assault | 125 | 139 | 143 | 169 | 145 | 135 | 168 | 158 | 143 | 154 |
| Burglary | 581 | 541 | 686 | 578 | 596 | 861 | 623 | 686 | 590 | 630 |
| DUI | 198 | 150 | 204 | 170 | 189 | 240 | 218 | 158 | 145 | 194 |
| Homicide | - | 2 | - | 3 | 2 | 1 | 1 | - | 1 | - |
| Narcotics | 426 | 628 | 606 | 499 | 506 | 399 | 472 | 493 | 368 | 439 |
| Rape | 19 | 28 | 19 | 33 | 32 | 24 | 13 | 24 | 12 | 14 |
| Robbery | 82 | 65 | 69 | 68 | 69 | 91 | 85 | 122 | 92 | 102 |
| Theft | 2,412 | 2,273 | 2,300 | 2,243 | 2,082 | 2,344 | 2,509 | 2,216 | 1,962 | 2,343 |
| Theft - motor vehicle | 672 | 594 | 692 | 875 | 816 | 802 | 869 | 642 | 672 | 639 |
| Traffic: | | | | | | | | | | |
| Non-criminal | 7,599 | 7,690 | 9,072 | 9,643 | 9,946 | 7,962 | 6,850 | 4,978 | 6,865 | 6,794 |
| Parking | 1,555 | 1,802 | 1,803 | 2,188 | 1,821 | 1,827 | 2,140 | 3,965 | 4,802 | 3,740 |
| Fire ⁽⁶⁾ | | | | | | | | | | |
| Type of response: | | | | | | | | | | |
| Building | 81 | 92 | 103 | 101 | 114 | 107 | 94 | 98 | - | - |
| Non-building | 184 | 275 | 236 | 260 | 305 | 249 | 198 | 238 | - | - |
| Alarm systems | 515 | 496 | 562 | 511 | 486 | 497 | 474 | 524 | - | - |
| Service | 390 | 352 | 387 | 370 | 465 | 493 | 493 | 618 | - | - |
| Other | 537 | 673 | 747 | 819 | 917 | 940 | 870 | 979 | - | - |
| First Aid | 4,510 | 4,815 | 4,902 | 5,177 | 5,155 | 5,562 | 5,679 | 5,616 | - | - |
| Parks and Recreation | | | | | | | | | | |
| Athletic teams | 512 | 455 | 464 | 467 | 523 | 507 | 445 | 459 | 479 | 416 |
| Recreation activities | 1,301 | 1,551 | 1,483 | 1,527 | 1,708 | 1,896 | 2,086 | 2,069 | 2,719 | 2,056 |
| Golf course rounds ⁽¹⁾ | 55,672 | 56,527 | 53,864 | 53,967 | 41,753 | 45,336 | 47,501 | 43,454 | 50,500 | 54,993 |
| Senior center visits ⁽²⁾ | 29,778 | 31,949 | 29,572 | 32,121 | 31,418 | 32,103 | 35,308 | 35,381 | 34,427 | 36,805 |
| Cultural activities | 118 | 117 | 56 | 88 | 55 | 56 | 56 | 58 | 84 | 84 |
| Museum audience served ⁽³⁾⁽⁴⁾ | 9,000 | 11,000 | 11,000 | 8,994 | 9,417 | 10,274 | 9,340 | 9,400 | 12,090 | 11,921 |
| Cemetery burials | 291 | 300 | 301 | 277 | 272 | 271 | 277 | 277 | 245 | 289 |

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) 1998 & 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

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General City | | | | | | | | | | |
| Total area (square miles) | 21.0 | 21.0 | 22.6 | 22.7 | 22.8 | 22.8 | 23.3 | 23.4 | 23.4 | 30.0 |
| Public Works | | | | | | | | | | |
| Miles of streets | 155 | 155 | 160 | 166 | 180 | 180 | 180 | 180 | 186 | 272 |
| Number of streetlights | 2,690 | 2,790 | 2,790 | 2,934 | 2,934 | 3,355 | 3,410 | 3,575 | 3,602 | 5,074 |
| Number of traffic signals | n/a | n/a | n/a | n/a | n/a | 66 | 72 | 72 | 72 | 83 |
| Utilities | | | | | | | | | | |
| Number of services | 11,330 | 11,546 | 11,645 | 12,014 | 12,077 | 12,144 | 12,833 | 12,633 | 12,954 | 13,050 |
| Miles of water mains | 221 | 220 | 243 | 247 | 252 | 254 | 278 | 279 | 287 | 283 |
| Miles of sanitary sewers | 156 | 156 | 166 | 149 | 176 | 177 | 177 | 177 | 182 | 205 |
| Miles of storm sewers | n/a | n/a | n/a | n/a | n/a | 185 | 190 | 195 | 197 | 197 |
| Number of fire hydrants | n/a | n/a | n/a | n/a | n/a | 2,270 | 2,285 | 2,300 | 2,369 | 2,969 |
| Public Safety | | | | | | | | | | |
| Number of fire stations ⁽¹⁾ | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | - | - |
| Number of police stations | 2 | 2 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 |
| Parks and Recreation | | | | | | | | | | |
| Total park acreage | 429 | 478 | 547 | 533 | 535 | 592 | 596 | 596 | 596 | 598 |
| Number of softball/baseball fields | n/a | n/a | n/a | n/a | n/a | 19 | 19 | 19 | 19 | 19 |
| Number of soccer/football fields | n/a | n/a | n/a | n/a | n/a | 3 | 3 | 3 | 3 | 3 |
| Number of playgrounds | n/a | n/a | n/a | n/a | n/a | 25 | 29 | 30 | 30 | 32 |

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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