

2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012





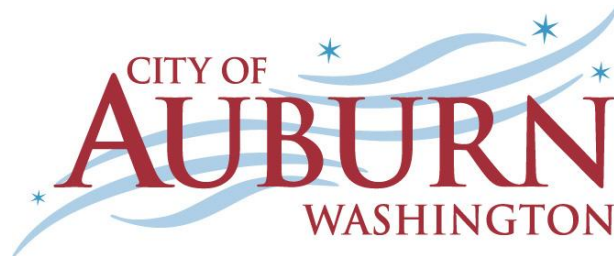
CITY OF
AUBURN

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CITY OF AUBURN
WASHINGTON

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Fiscal Year January 1, 2012 through December 31, 2012



Prepared by

Finance Department
Shelley Coleman, Finance Director



CITY OF
AUBURN

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2012

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CITY OFFICIALS

MAYOR
Pete Lewis

CITY COUNCIL



Nancy Backus



John Holman



Wayne Osborne



John Partridge



Bill Peloza



Rich Wagner

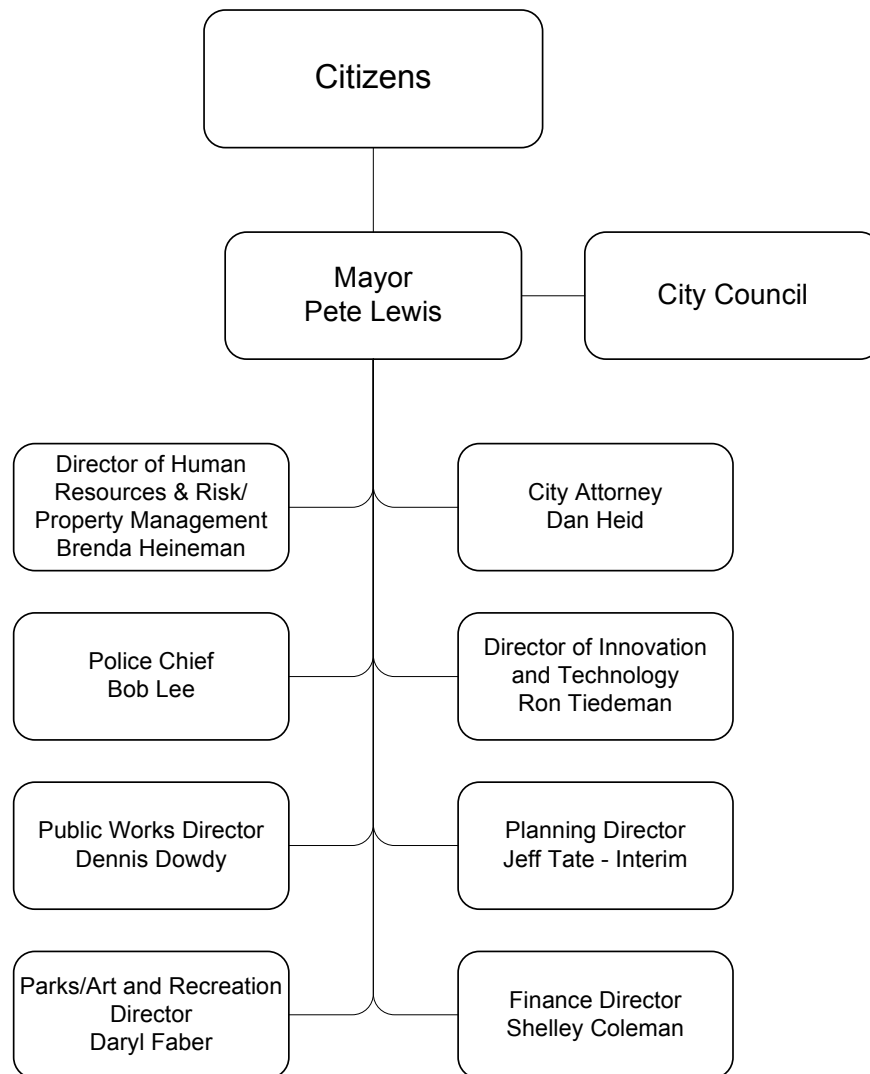


Largo Wales

DEPARTMENT DIRECTORS

Finance Director
City Attorney
Human Resources Director
Innovation & Technology Director
Parks Director
Planning Director
Police Chief
Public Works Director

Shelley Coleman
Dan Heid
Brenda Heineman
Ron Tiedeman
Daryl Faber
Jeff Tate - Interim
Bob Lee
Dennis Dowdy



Finance Committee
 John Partridge, Chairperson
 Largo Wales, Vice Chair
 John Holman

Municipal Services Committee
 Bill Pelozza, Chairperson
 Wayne Osborne, Vice Chair
 John Partridge

Planning & Community Development Committee
 Nancy Backus, Chairperson
 John Holman, Vice Chair
 Largo Wales

Public Works Committee
 Rich Wagner, Chairperson
 Bill Pelozza, Vice Chair
 Wayne Osborne

June 21, 2013

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, 2012. 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, 2012. This transmittal letter provides an overview of the report and the financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it, and describes the systems and controls employed by the Finance department.

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

I. INTRODUCTION

A. Management Representation

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

City management has developed and evaluated a comprehensive internal control structure that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh the benefits, the City's internal control structure is designed to provide reasonable, rather than absolute, assurance that the

financial statements will be free from material misstatement. As management, we attest that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects. As a recipient of federal, state and county financial assistance the City is required to undergo an annual single audit in conformity with U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. The audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's annual single audit for the fiscal year ended December 31, 2012 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 2011 CAFR. The Financial Section contains the Washington State Auditor's Report, completed by the Washington State Auditor, Management's Discussion and Analysis, Government-Wide Financial Statements, the Fund Financial Statements, Notes to the Financial Statements and Other Required Combining and Supplemental Information. The Statistical Section, which is unaudited, contains a range of statistical tables and charts that present various financial, economic, social, and demographic data about the City. This information depicts various trends that have affected the fiscal condition of the City over the last ten years. The data presented in this section complies with the requirements of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

C. Reporting Entity

The City of Auburn was incorporated in 1891 and currently operates as a non-charter Code City under the laws of the State of Washington. Code City status in Washington provides "home rule" authority to cities. Auburn has a Mayor/Council form of government; the Mayor is elected and is the full-time Chief Administrator. The seven-member City Council is elected at large, rather than by district. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the city. The City is located primarily in southern King County (county seat, Seattle) and a small northeastern portion of Pierce County. These are the two most populous counties in the State of Washington, comprising over 40% of the state-wide population. The City is strategically located in relation to the labor and consumer markets of the two largest cities in the area: Seattle in King County and Tacoma in Pierce County. Auburn currently serves approximately 71,240 people within its incorporated limits.

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

II. ECONOMIC CONDITION

A. Summary of Local Economy

Auburn began as a small rural community based on agriculture and the railroad, which maintained a significant switching and repair facility. The City has grown significantly since World War II, both as a residential community and as a commercial and industrial area. Auburn has become a significant area for automobile sales and has also developed a substantial manufacturing and distribution base with the largest employer being The Boeing Co., which employs almost 4,000 people in its Auburn facility. Boeing is a worldwide supplier of aircraft and related products. The City's assessed valuation in 2012, for 2013 property tax collection, was \$6.911 billion.

Auburn has enjoyed steady residential and industrial growth over the years as development has moved outward from the major cities. The City currently has a growing array of manufacturing facilities, as well as distribution, wholesaling, and retailing operations. In October 2012, the Auburn Regional Medical Center was formally sold to MultiCare Health System. MultiCare Auburn Medical Center serves the local geographic area and is a major trauma center of the northwest providing 213 beds and supports about 635 employees. The medical center recently expanded and now also includes an oncology center.

Auburn also has experienced an increase in new businesses and development activity. Major new businesses include Coastal Farm and Ranch, a 124,000 square foot retail store that provides a wide variety of products and services for homeowners, farms, and other businesses. Significant new development projects include the new Trades Building and Student Life Building on the Green River Community College campus; construction of Project Lofts, a new six-story mixed use building in downtown Auburn that will feature commercial and residential units and a covered parking garage; and \$35 million in interior and exterior improvements to the Outlet Collection Seattle, formerly known as the SuperMall of the Great Northwest.

As the City moves forward, several positive developments loom on the horizon. In 2012, the City was identified as one of only fifteen Innovation Partnership Zones (IPZ) in Washington State that will help businesses thrive through partnerships in research and workforce developments. Construction of the Auburn Gateway Project is expected to begin in mid-2013, which will replace the former Valley 6 drive-in theater with 720,000 square feet of retail and residential units and up to 1.6 million square feet of office space. Finally, construction of the new Franciscan Medical Pavilion is expected to begin in 2013, a two-story 38,000 square foot mixed use building that will provide space for primary care as well as specialty cardiology, vascular surgery, endocrinological, and general surgical medical care services. As these new businesses and developments take hold, they will serve to strengthen the City's economic

foundation. Auburn also continues to be a center for automobile sales, drawing customers throughout the Puget Sound region.

Since 2003 the City's collected total assessed property valuation has risen from \$4.27 billion, collected in 2003 to \$7.22 billion, collected in 2012. The sales tax receipts went from \$13.9 million to \$16.7 million in the same time period. The recent economic downturn, coupled with the impact of the Streamlined Sales Tax (SST) legislation enacted by the State of Washington that went into effect July 1, 2008, has dropped sales tax revenues from their high in 2007 of \$18.9 million to \$16.7 million in 2012. The SST eliminated approximately \$250,000 a month of sales tax revenue to the City. The State of Washington has a mitigation plan for cities that are severely impacted by the SST and the City of Auburn received approximately \$1.89 million in mitigation payments in 2012. The 2011 State Legislature reduced the payments by 3.4% starting 2012 and there is no certainty that the mitigation payments will continue.

While the City, similar to other municipalities in the region and nationally, has suffered during the recent economic recession, the local economy is beginning to show some signs of improvement. Sales Tax revenue which constitutes approximately thirty five percent of the General Fund budget, increased to \$16.7 million (+2.9%) over the previous year. While the local economy is beginning to recover, the City remains vigilant in its management of expenses and to ensure it lives within its means. The City's staffing level totals 392 full-time equivalents (FTEs). In 2012, the City contracted out the Municipal Court to King County District Court, resulting in a reduction of 19 full-time positions. The staffing level is at the lowest it has been in the past 10 years.

Despite economic cycles, the City has continually focused on enhancing the quality of life in the community and focusing on maintaining and redeveloping its aging infrastructure. For example, in 2013, the City sold \$11.4 million in new revenue bonds to support improvements to critical water and stormwater facilities, construction of which will ensure continued quality services for current and future utility customers. The City is also currently in the process of identifying funding to construct a new \$12 million, 20,000 square foot Community Center on the Les Gove Park campus. Once a funding strategy is identified, construction of the Center will begin. The Center will provide a venue for community and human service programs, trade shows, and recreation and cultural offerings. This project, along with the Senior Center, the White River Valley Museum and the recently completed Auburn Activity Center, serves as a central gathering place for the community and a focal point for community-wide events.

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, but have enabled the General Fund to remain on a firm financial footing during the most recent recession.

The City is maintaining a stable financial condition by managing expenditure budgets to available revenue streams. All funds contain adequate balances, and the City's debt is manageable. The General fund contains a satisfactory balance, a significant Insurance fund has been set aside for contingencies, and the Equipment Rental fund is adequate for vehicle replacement. The Proprietary and Fiduciary funds are in satisfactory condition. The Golf Course fund has been under some economic pressure due to two years of poor weather and the economic downturn but activity is improving concurrent with strengthening economic conditions. The City completed a review of the City's water, sewer and stormwater utility rates in 2012 and established rates to fund operating and capital needs through 2017

including the issuance of new revenue bonds in early 2013 to support significant new utility construction projects.

B. Future Economic Outlook

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

The City has several long-term municipal planning and capital projects underway. These include reconstruction of aged utility infrastructure; street improvements including rehabilitation of local neighborhood streets, substantial completion of the A Street NW corridor, construction of the M street underpass project; and completion of the Auburn Activity Center. These projects will improve mobility, will contribute to the completion of a North/South arterial corridor, and provide for greater recreational opportunities for the community. These municipal projects, coupled with the new private sector developments described earlier, will help ensure local economic growth continue, albeit not at the rate experienced in the late 1990's. The challenge is to control costs that grow at a faster rate than revenue. Areas of concern are health care costs and public safety costs related to incarceration and labor contracts. Continuing to maintain service level in these sectors will draw valuable resources from other areas such as infrastructure replacement and capital programs. As Auburn moves forward, economic conditions will be continually monitored and adjustments to city spending and services made to maintain the City's financial health. Long-term plans will be focused on ensuring the City continues to be an economically strong and viable city.

III. FINANCIAL INFORMATION

A. Cash Management

The City invests in U.S. Treasury and Agency Issues, Prime Bankers Acceptances, Time Deposits, and Repurchase Agreements. Investment policies and procedures, established by the Mayor and adopted by the City Council, require the City to establish a trustee to take delivery of all investment transactions at time of payment. The City has contracted with the Bank of New York to provide delivery versus payment trustee services on all government agency investments. The State of Washington maintains an investment pool to provide economies of scale in investing to smaller- and medium-sized cities in the State. The City uses this service for all funds not invested in longer-term securities. The pool operates under the same legal restrictions that apply to all municipalities in the State and, consequently, uses the same instruments as listed above. The State also takes delivery of all investment transactions.

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

institutions that offer the City full protection in the event of default, by providing the delivery of the underlying security to the City.

B. Risk Management

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

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

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

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

IV. OTHER RELEVANT INFORMATION

A. Independent Audit

State law requires an annual audit of all City books of accounts and financial records by the Office of the State Auditor, which is headed by an independently elected State official, the State Auditor. The Auditor has broad legal authority to inquire into all financial and legal compliance matters and such audits are considered equal to audits by certified public accounting firms. The 2012 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 2012. 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, 2011. This was the twenty-fifth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City has also received the Government Finance Officer's Association Distinguished Budget Presentation award for twenty-one years. The City was one of just nineteen cities in the state to receive both the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation award for 2011.

C. Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink that reads "Shelley Coleman". The signature is written in a cursive style with a large, sweeping initial "S".

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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

CITY OF
AUBURN

* MORE THAN YOU IMAGINED



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

June 21, 2013

Mayor and City Council
City of Auburn
Auburn, Washington

REPORT ON FINANCIAL STATEMENTS

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 31, information on postemployment benefits other than pensions on page 99 and pension trust fund information on page 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

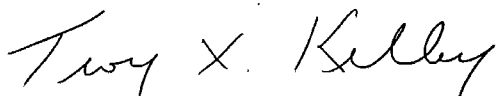
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying information listed as combining and individual fund financial statements and schedules on pages 102 through 144 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 21, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY
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 position, the amount by which total assets exceed total liabilities, equal \$620.1 million, an increase of \$18.8 million or 3.1%. Of this, a total of \$528.6 million, or 85.2% of total net position, is net investment in capital assets, and includes assets such as utility systems, streets, buildings, land, vehicles and equipment. An additional \$5.8 million of net position is restricted for purposes of endowment and debt service. Of the remaining \$85.7 million of net position, \$12.0 million is legally restricted, reserved by City policy for specific purposes, or is restricted for use by the City's utilities and \$73.7 million is unrestricted.
- The net increase in government-wide net position during 2012 was \$18.8 million. Of this amount, \$21.4 million was directly related to the increase in City-owned net investment in capital assets and infrastructure.
- On a government-wide basis, governmental net position increased by \$10.9 million during 2012, primarily reflecting an increase in net investment in capital assets. The increases in net investment in capital assets were attributable to the design and construction of the M Street Grade Separation project and construction of the A Street Northwest Extension project.
- Business-type net position increased by \$7.9 million to \$208.9 million during 2012 as a result of capital contributions related to the City's water, sewer and storm water utilities.
- Governmental fund balances at year-end totaled \$42.5 million. Of this amount, \$17.4 million, or 41%, is unassigned and available to fund ongoing activities.

Compared to 2011, total governmental fund balances increased by \$.8 million. This increase reflects the net effect of a general but very gradual improvement in the regional economy and continued vigilance in monitoring general spending.

- Total City debt payments during the year, net of compensated absences and other post employment benefits, were \$2.62 million. Total outstanding debt, including bonds and loans, totaled \$100.8 million at December 31, 2012. This ending debt balance is a decrease of \$1.2 million from 2011 and is the result of scheduled debt repayments. See note 9 for further information on debt activity during the year.

Other City Highlights:

Parks and Community Development

- Completed construction of the South Division Street Promenade and replacement of downtown street lights. The Promenade serves as an anchor for the future redevelopment of the City's downtown core.
- Implemented the Storefronts program, an initiative to fill vacant downtown commercial spaces with temporary art installations.
- Established sister city relationships with cities in Japan, Korea, Italy and China.
- Received designation as an Innovation Partnership Zone (IPZ) by the State of Washington, one of 15 IPZ's and only one of only 4 cities in the State to receive this designation.
- Opened new Activity Center/Gymnasium at Les Gove Park and initiated new activities at this facility including teen afterschool programs, indoor playground for toddlers, birthday party packages and outdoor climbing wall activities.
- Initiated new downtown community events including a concert series, ArtRageous festival and a Community Art Walk.
- Improved opportunities for recreation throughout the City including resurfacing tennis courts, replacing playground equipment, and adding a practice wall to Game Farm Park and opening of the City's first off-leash dog run area at Roegner Park.

Public Works

- Completed the A Street NW Extension Project
- Completed the South Auburn ITS (Intelligent Transportation System) expansion project.
- Completed design and began construction of the M Street SE Underpass (grade separation) project.
- Obtained funding from the King County Flood Control District and completed removal of temporary flood control barriers along the Green River.
- Continue commitment to city-wide local and arterial street repairs. These repairs are supported by dedicated funding from City property taxes and from a 1.0% utility tax adopted in 2008.

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

Fund Financial Statements

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

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

Because the basis of accounting is different between the governmental fund statements and the government-wide financial statements, reconciliations are provided. The reconciliation between the governmental fund Balance Sheets and the government-wide Statement of Net Position 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 Balances.

The City maintains twenty-two (22) 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 part of the basic financial statements. Other budgetary comparison statements are included following the other government funds' combining statements in this report.

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

pension benefit and other postemployment benefit required supplementary information is found in the required supplemental information.

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 position may serve as a useful indicator of the City’s financial position. The overall financial position has improved for the City of Auburn over the prior year. Changes in Net Position from 2011 to 2012 show an increase in total net position of \$18.8 million. Following is a condensed version of the government-wide statement of net position with a comparison to 2011:

**STATEMENT OF NET POSITION
Comparative Analysis of 2012 and 2011**

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/12	As of 12/31/11	As of 12/31/12	As of 12/31/11	As of 12/31/12	As of 12/31/11
Current and other assets	\$ 97,545,749	\$ 101,433,282	\$ 41,668,321	\$ 48,333,780	\$ 139,214,070	\$ 149,767,062
Capital assets, net of accumulated depreciation	386,230,900	373,321,713	208,530,146	195,390,894	594,761,046	568,712,607
Total assets	483,776,649	474,754,995	250,198,467	243,724,674	733,975,116	684,433,310
Long-term liabilities	62,930,643	64,046,364	34,579,930	36,574,493	97,510,573	100,620,857
Other liabilities	9,537,546	10,286,466	6,750,234	6,182,683	16,287,780	16,469,149
Total liabilities	72,468,189	74,332,830	41,330,164	42,757,176	113,798,353	117,090,006
Net position						
Net investment in capital assets	354,899,294	340,941,112	173,709,864	166,289,542	528,609,158	507,230,654
Restricted for:						
Capital Projects	10,603,982	11,619,999	-	-	10,603,982	11,619,999
Nonexpendable Permanent Endowment	1,475,580	1,449,220	-	-	1,475,580	1,449,220
Debt Service	50,439	54,717	4,306,893	3,742,596	4,357,332	3,797,313
Tourist Promotion	109,913	93,412	-	-	109,913	93,412
Drug Investigation & Enforce	856,402	948,619	-	-	856,402	948,619
Comm Dev Block Grant	43,397	43,397	-	-	43,397	43,397
Central Business Distr Dev	24,403	21,599	-	-	24,403	21,599
Rate Stabilization	-	-	412,165	411,386	412,165	411,386
Unrestricted	43,245,050	45,250,090	30,439,381	30,523,974	73,684,431	75,774,064
Total net position	\$ 411,308,460	\$ 400,422,165	\$ 208,868,303	\$ 200,967,498	\$ 620,176,763	\$ 601,389,663

The largest component of the City’s net position, \$528.6 million, or 85.2%, is its net investment in capital 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 position, \$43.2 million, may be used for functions such as public safety employee salaries and supplies, park and road maintenance, and other general governmental services. The second largest component of unrestricted net position, \$30.4 million, represents the unrestricted net position of the City’s business-type activities and may only be spent on activities related to one of the four City utilities (water, sanitary sewer, storm water and solid waste) or to the City-owned ventures (airport, golf course, and cemetery). Examples of utility activities include maintenance of water/sewer mains, pump and lift stations, storm drain flushing, water meter reading, and garbage collection. Activities related to the other City-owned ventures include maintenance of hangars and runways at the airport, and grooming and landscaping at the golf course and cemetery.

Restricted governmental fund net position is \$13.1 million and is restricted for purposes such as capital project construction, debt service, drug investigation and enforcement, and endowment. Total net investment in capital assets increased \$21.3 million.

Changes in Net Position

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

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 7,916,897	\$ 9,508,793	\$ 50,710,688	\$ 45,045,488	\$ 58,627,585	\$ 54,554,281
Operating grants and contributions	3,560,707	1,724,711	97,052	116,735	3,657,759	1,841,446
Capital grants and contributions	17,835,784	19,730,140	7,248,835	15,981,735	25,084,619	35,711,876
General revenues						
Property taxes	14,970,136	15,204,611	-	-	14,970,136	15,204,611
Sales taxes	16,679,278	16,213,244	-	-	16,679,278	16,213,244
Interfund utility taxes	3,281,816	2,948,297	-	-	3,281,816	2,948,297
Admission & utility taxes	8,856,498	9,049,689	-	-	8,856,498	9,049,689
Excise taxes	2,141,620	1,859,738	-	-	2,141,620	1,859,738
Other taxes	4,679,333	4,644,909	-	-	4,679,333	4,644,909
Investment earnings	178,618	224,593	82,903	101,694	261,521	326,287
Miscellaneous revenue	547,391	775,969	1,781,676	2,584,004	2,329,067	3,359,972
Total revenues	80,648,078	81,884,694	59,921,154	63,829,656	140,569,232	145,714,350
Expenses:						
General government	9,441,887	8,581,829	-	-	9,441,887	8,581,829
Public safety	27,339,301	27,320,805	-	-	27,339,301	27,320,805
Transportation	15,736,610	12,123,615	-	-	15,736,610	12,123,615
Physical environment	2,535,877	2,327,911	-	-	2,535,877	2,327,911
Culture and recreation	8,310,210	7,606,584	-	-	8,310,210	7,606,584
Economic environment	2,914,335	3,135,984	-	-	2,914,335	3,135,984
Health and human services	633,175	619,172	-	-	633,175	619,172
Interest on long-term debt	2,336,960	1,685,055	-	-	2,336,960	1,685,055
Water	-	-	9,655,724	8,961,736	9,655,724	8,961,736
Sanitary sewer	-	-	19,680,724	18,852,402	19,680,724	18,852,402
Storm drainage	-	-	8,025,729	6,752,021	8,025,729	6,752,021
Solid waste	-	-	11,305,322	9,957,943	11,305,322	9,957,943
Golf course	-	-	1,912,174	1,903,836	1,912,174	1,903,836
Other business-type activities	-	-	1,954,104	2,010,776	1,954,104	2,010,776
Total expenses	69,248,355	63,400,955	52,533,777	48,438,714	121,782,132	111,839,668
Increase in net assets before transfers	11,399,723	18,483,739	7,387,377	15,390,942	18,787,100	33,874,681
Transfers	(513,428)	(483,107)	513,428	483,107	-	-
Change in net position	10,886,295	18,000,632	7,900,805	15,874,049	18,787,100	33,874,681
Net position-beginning of period	400,422,165	382,421,533	200,967,498	185,093,449	601,389,663	567,514,982
Net position-end of period	\$ 411,308,460	\$ 400,422,165	\$ 208,868,303	\$ 200,967,498	\$ 620,176,763	\$ 601,389,663

Governmental activities contributed \$10.9 million to the total increase in City net position. Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. However, asset purchases are not recorded as expenses in the year purchased and construction costs are not recorded as expenses in the year incurred. Instead, the costs are recorded as long-term assets and are depreciated over their useful life.

General tax revenues increased by 1.4% to \$50.6 million between 2011 and 2012, compared to an increase of 3.8% between 2010 and 2011:

- Property tax revenue decreased \$234,000 or 1.5%.
- Sales tax collections increased \$466,000 or 2.9%, reflecting continued gradual improvement in the economy.
- Utility and admission tax revenue increased by \$140,000 or 1.1%.
- Excise tax revenue increased by \$282,000 or 15.2%. The increase in excise taxes is due primarily to real estate excise taxes (REET) which increased as a result of an increase in real estate transactions.

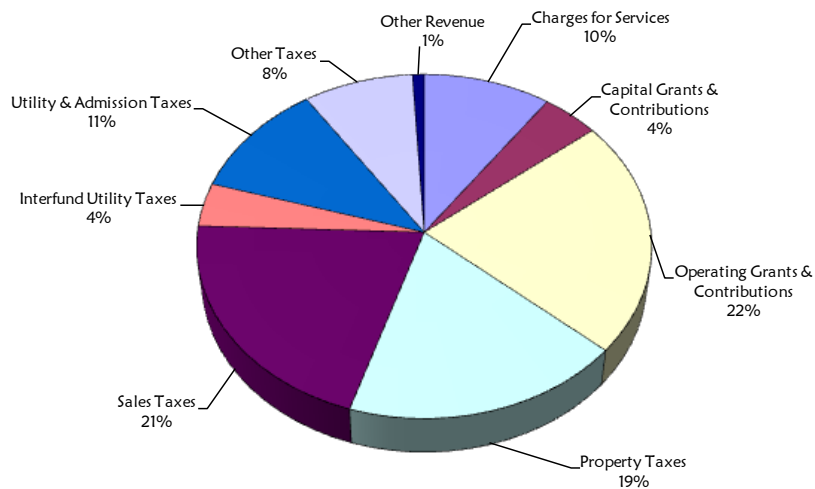
Investment earnings fell by \$45,975 in governmental activities and \$18,791 in business-type activities for a government-wide decline of \$64,766 or 19.8%. These declines reflect the continued low interest rates.

Government-wide Miscellaneous revenue decreased \$1.03 million, 2012 revenue was attributable to contributions from King County Flood Control District for flood barrier removal and the City of Algona for the purchase of storage in the Lakeland Hills Reservoir.

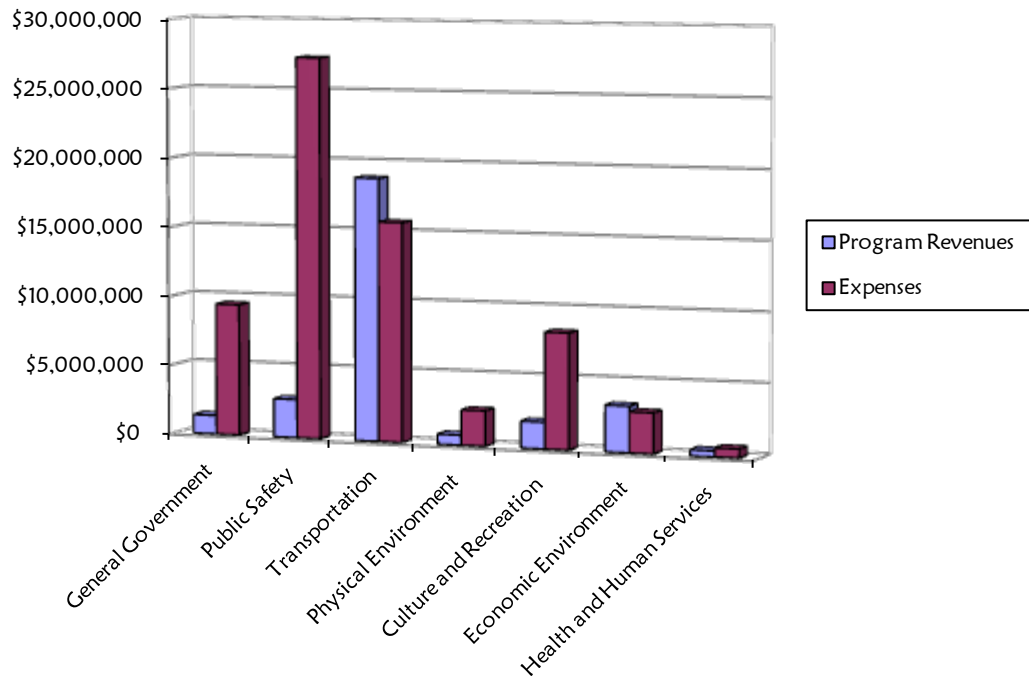
Government-wide expenses increased by approximately \$9.9 million or 8.9% and were attributable to the “A” street project, “M” street grade separation project, Storm utility projects and increased Solid Waste contractor fees.

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

Revenues by Source – Government Activities



Program Expenses and Revenues – Governmental Activities



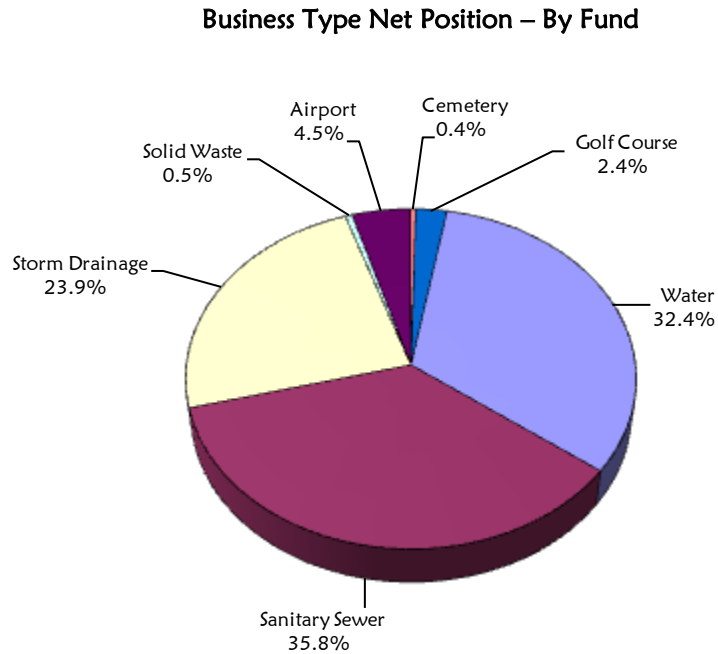
Business-type net position totaled \$208.8 million, an increase of 3.3%. Key components of this increase include:

- Business-type revenues decreased \$3.9 million due primarily to a decrease in utility capital contributions.
- Income (loss) before capital contributions and transfers amounted to:

Water fund:	\$ 1,433,031
Sanitary sewer fund:	(419,477)
Storm fund:	275,720
Solid waste fund:	367,761
Golf course:	(529,713)
Non-major funds:	<u>(456,801)</u>
	\$ 670,521

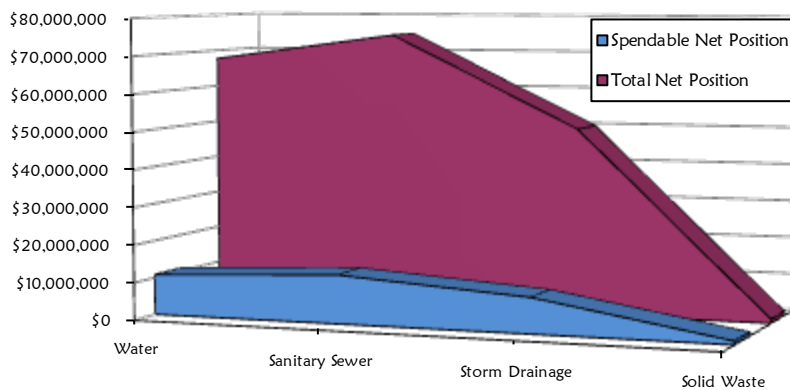
- Net transfers-in totaled \$513,428.

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

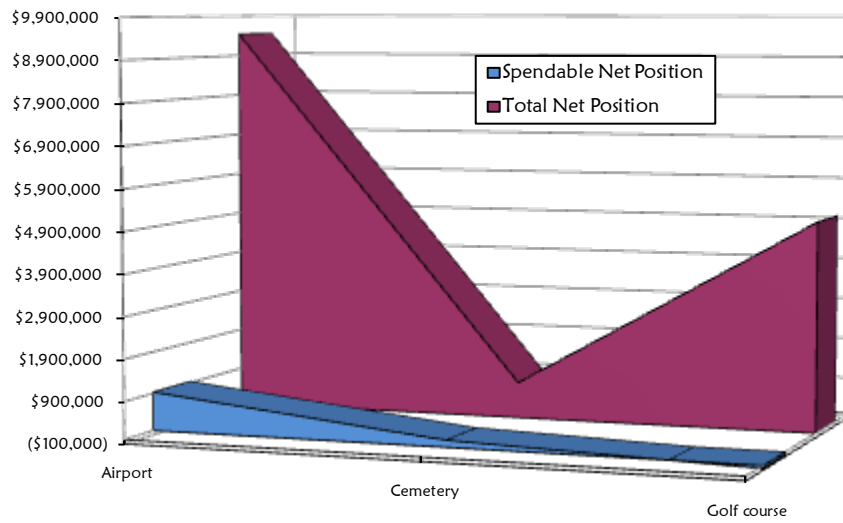


The majority of net position in the City’s enterprise funds relate to capital asset infrastructure, such as water and sewer mains, the airport runway, and the golf course land. As such, most of the net position is not available to support the ongoing expenses of the funds. Following are two charts that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

Comparison of Total Net Position to Spendable Net Position Utility Funds

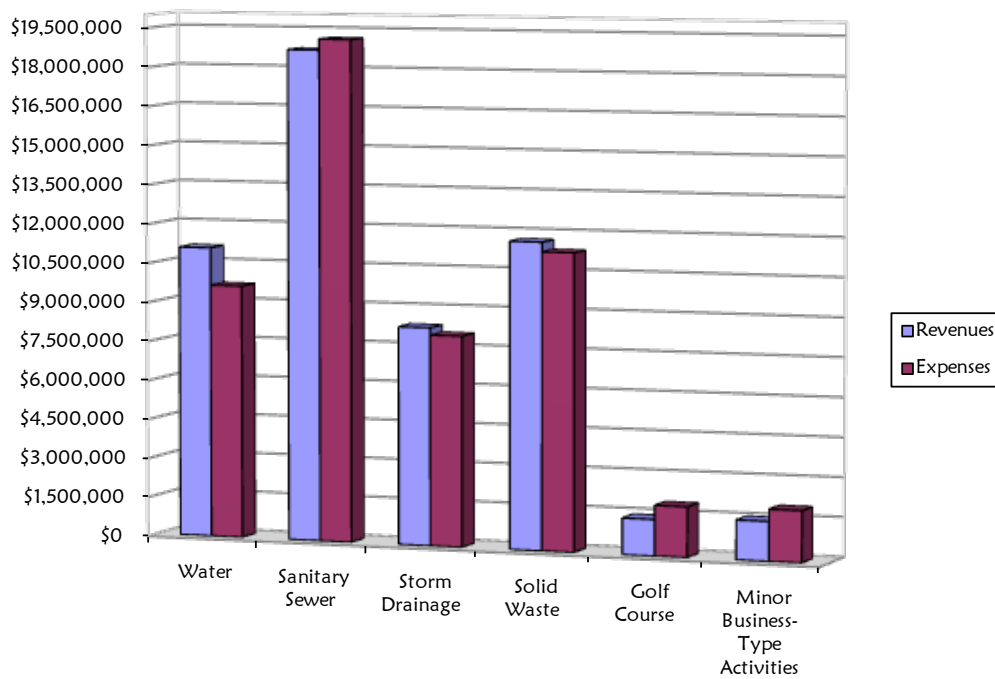


Comparison of Total Net Position to Spendable Net Position Other Enterprise Funds

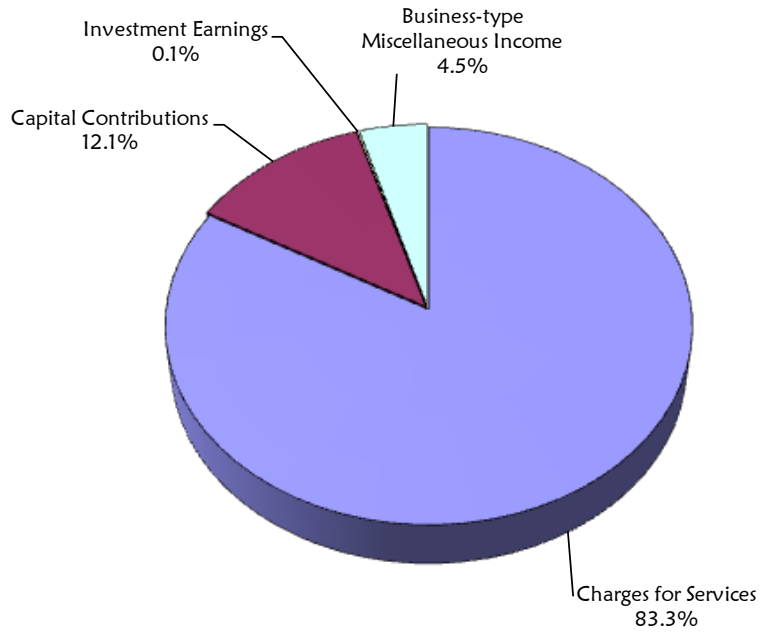


The following first chart depicts the revenues and expenses for business-type funds, while the second shows the various sources of business-type revenue:

Business Type Activity Revenues and Expenses Before Capital Contributions and Transfers



**Business Type Activity Revenues
By Source**



Financial Analysis of Governmental Funds

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

As of December 31, 2012, the City’s governmental funds had combined fund balances of \$42.5 million, an increase of \$.7 million or 1.8% over the previous year. This increase is primarily due to a decrease in fund balance from the spending of resources associated with the local revitalization bond proceeds and an increase in fund balance for the General fund. The following table shows the changes in fund balance between 2011 and 2012.

Changes in Fund Balance - By Fund

Fund	2012	2011	Difference
General fund	\$ 23,701,900	\$ 21,275,495	\$ 2,426,405
Arterial street fund	2,143,713	1,783,698	360,015
Capital improvement fund	6,412,475	6,164,487	247,988
Mitigation fund	3,061,179	3,838,152	(776,973)
Cemetery endowment fund	1,585,916	1,556,570	29,346
All other government funds	5,607,774	7,147,197	(1,539,423)
Total	\$ 42,512,957	\$ 41,765,599	\$ 747,358

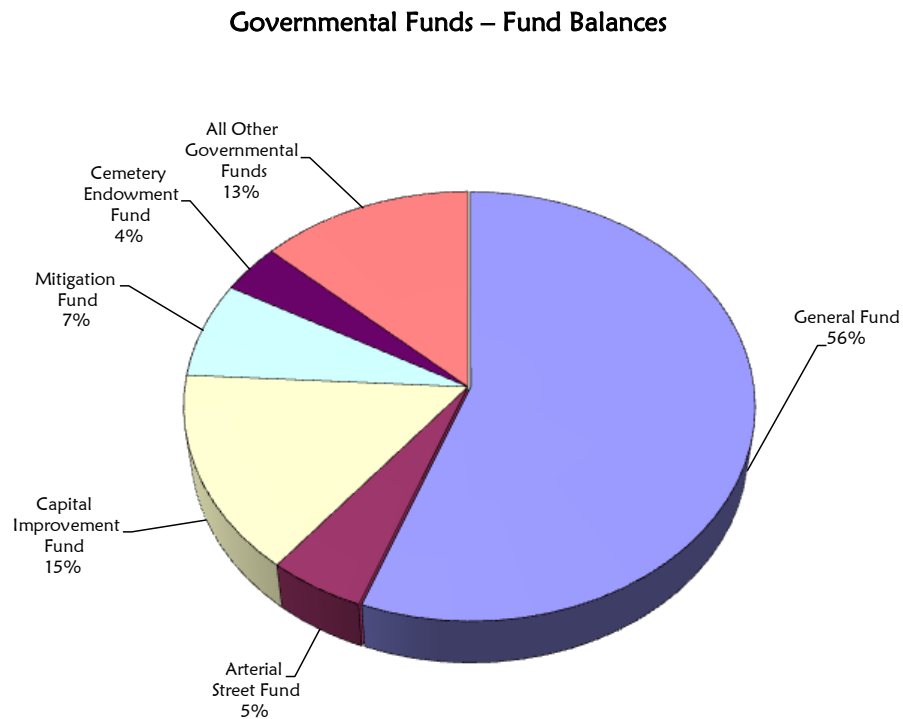
Of the government funds’ total fund balances, \$17.4 million is unassigned. Nonspendable, restricted, committed and assigned fund balances total \$25.1 million. Of this \$25.1 million, \$7.4 million is earmarked for capital projects, \$9.7 million is in special revenue funds that are earmarked for specific purposes and \$1.6 million is for endowment.

The general fund is the primary operating fund of the City. All receipts and payments of ordinary City operations are processed through it unless they are required to be accounted for in another fund. At the end of 2012, the general fund had a fund balance of \$23.7 million, \$5.9 million of which is assigned, \$17.4 million is unassigned and \$.4 million is nonspendable.

Other funds that had significant fund balances include:

- \$6.4 million in the capital improvement projects fund; used for various governmental capital asset projects.
- \$3.0 million in the mitigation fund; used to collect fees from new development to mitigate the cost of new roads and other infrastructure.
- \$1.6 million in the cemetery endowed care fund; used for maintenance of the cemetery.
- \$5.6 million in all other government funds; used primarily for local street improvements and local revitalization funding.

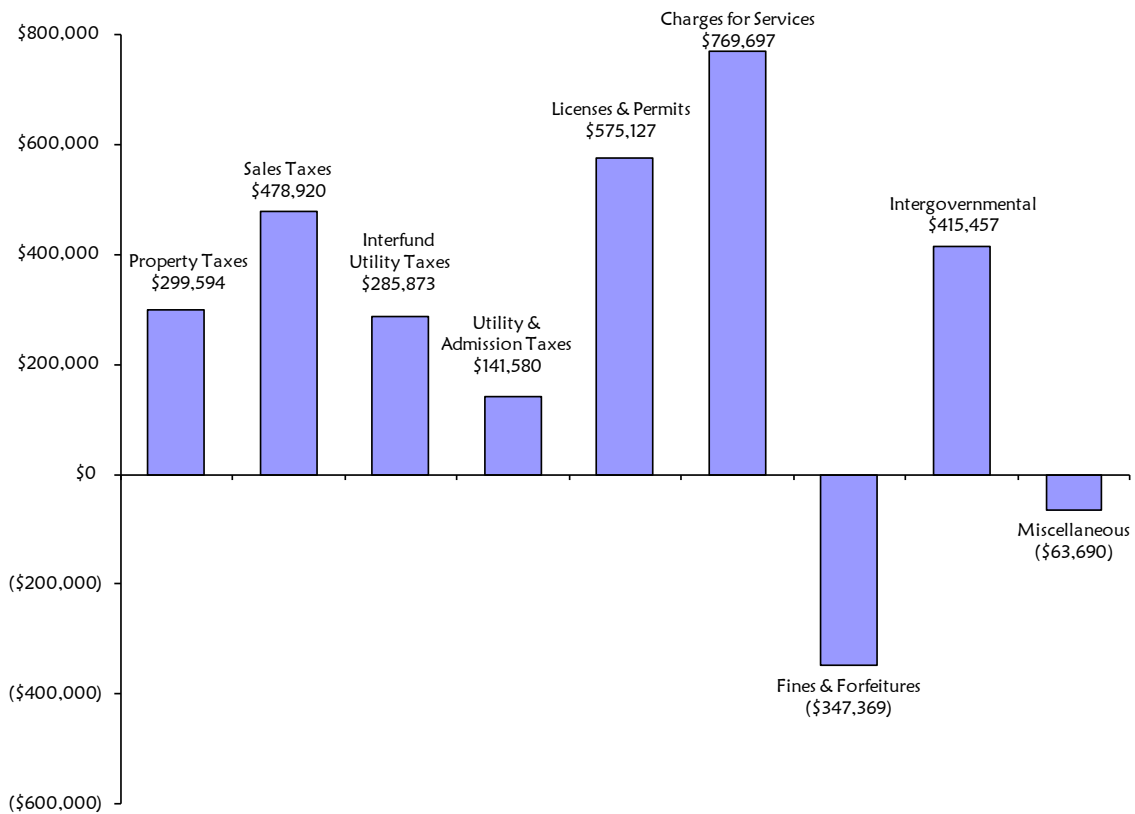
The following chart shows the relative fund balances for governmental funds:



The increase in the general fund balance of \$2.4 million is primarily due to an increase in revenues associated with the gradual improvement in local and regional economic conditions as well as continued vigilance in monitoring general expenditure activity.

General fund revenue increased by \$2.5 million, sources of which are shown in the chart below. Property taxes increased \$299,000 or 2.3% and sales taxes increased \$479,000 or 3% reflecting the continued gradual improvement in the regional economy. Licenses and Permits and Charges for Services both increased, reflecting an increase in commercial construction activity. Building permit and Plan Check activity increased as a result of a significant remodel of the Supermall (now known as the Outlet Collection Seattle) and a major re-roofing project for a major aerospace manufacturing company. Intergovernmental revenues increased as a result of one-time proceeds from the State of Washington from the liquidation of state-run liquor stores and one-time federal FEMA grant funds for the reimbursement of expenses related to a winter storm. Fines and Forfeitures have decreased, reflecting a decline in revenue collections from fines related to the Redflex red light traffic cameras.

2012 General Fund Revenue Increases – By Source



Significant changes in fund balance include:

- The ending fund balance increase of \$248,000 in the capital improvement projects fund is largely due to the timing of one time transfers associated with the construction of the Activity Center and the M Street Grade Separation projects.
- The mitigation fund decreased, primarily due to transfers out of \$2.2 million related to the construction of the M Street SE Grade Separation and the A Street NW extension projects.
- The local revitalization fund decreased by a total of \$1.6 million due to completion of construction activities for the South Division Street Promenade project.

Financial Analysis of Proprietary Funds

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

General Fund Budgetary Highlights

The City budgets biennially by adopting two single-year budgets at the end of each even-numbered year and then making adjustments as necessary via budget amendments throughout the next two years. Major amendments to the 2012 budget included:

- Budgeted General Fund expenditures increased from \$53.2 million to \$55.1 million. Significant changes include authorization of new staff positions throughout the City, an increase in State of Washington Public Employee Retirement System rates, and a transfer to the Cumulative Reserve Fund to replenish the fund balance as a result of past withdrawals.

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

- Actual General Fund revenues totaled \$52.7 million and exceeded budget by \$3.4 million. Significant areas of variance include licenses and permits and charges for services, which exceeded budget by \$1.2 million and \$572,000, respectively, reflecting increased activity from building permits and plan check fees; property taxes exceeded budget by \$304,000 reflecting stronger collections than anticipated.
- Actual General Fund expenditures totaled \$49.1 million and were under-budget by \$6.0 million. Departments experienced savings due to continued vigilance in monitoring city-wide expenditures. Significant areas of under-expenditure occurred within the Security of Person and Property, reflecting staff vacancies within the Police Department and within General Government reflecting savings within the non-departmental program.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for both its governmental and business-type activities as of December 31, 2012 totaled \$594.7 million (net of accumulated depreciation), an increase of \$26 million from 2011. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, roads, bridges, and other infrastructure.

Major capital asset changes during the year include:

- Developer contributions resulted in an increase of \$5.9 million in utility infrastructure assets and \$5.8 million in governmental infrastructure assets.
- \$7.4 million was spent by proprietary funds on construction projects during the year.
- \$22 million was spent by governmental funds on construction projects during the year. Some of the larger projects in the governmental funds include:
 - \$10.0 million on M St SE Grade Separation
 - \$2.8 million on A Street NW Extension
 - \$1.1 million on 2012 Pavement Patching Chip seal
 - \$1.1 million on Division Street Promenade

A summary of the City’s capital assets follows:

Summary of Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/12	As of 12/31/11	As of 12/31/12	As of 12/31/11	As of 12/31/12	As of 12/31/11
Land	\$ 110,399,907	\$ 109,603,713	\$ 14,505,063	\$ 14,505,063	\$ 124,904,970	\$ 124,108,776
Building	47,118,785	47,569,244	6,520,898	6,733,673	53,639,683	54,302,917
Site improvements	5,849,425	5,543,338	169,889,167	158,374,226	175,738,592	163,917,564
Equipment	6,889,727	6,605,895	409,851	456,604	7,299,578	7,062,499
Intangibles	746,511	805,556	5,196,600	-	5,943,111	805,556
Infrastructure	186,775,205	181,677,453	-	-	186,775,205	181,677,453
Construction in progress	28,451,340	21,516,518	12,008,567	15,321,328	40,459,907	36,837,846
	<u>\$ 386,230,900</u>	<u>\$ 373,321,717</u>	<u>\$ 208,530,146</u>	<u>\$ 195,390,894</u>	<u>\$ 594,761,046</u>	<u>\$ 568,712,611</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 \$84.6 million. Of this amount, \$27.4 million is due to other governments, \$34.6 million is general obligation bonds, and \$22.6 million is revenue bonds for the water, sewer and storm utilities. The City currently maintains a rating of Aa3 with Moody’s and a rating of AA with Standard & Poor’s for its general obligation debt.

The following schedule summarizes the City’s bonded debt:

Summary of Bonded Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 29,585,000	\$ 5,040,000	\$ 34,625,000
Revenue bonds	-	22,625,000	22,625,000
Due to other governments	\$ 27,379,850	-	27,379,850
	<u>\$ 56,964,850</u>	<u>\$ 27,665,000</u>	<u>\$ 84,629,850</u>

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

Other Long-Term Debt

Public Works Trust Fund loans	\$ 8,687,599
Employee leave benefits	2,608,597
Other Post Employment Benefits	4,068,439
	<u>\$ 15,364,635</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.

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

Economic Factors

The short-term outlook for the City continues to be guarded. While real estate activity and the US stock market have increased, concerns remain over unemployment, the uncertainty of Congressional decisions and agreements on a strategy to resolve the nation's deficit, and continued cost-cutting measures taken at the State level to address its looming deficits. For example, in 2012, the State reduced its streamlined sales tax revenue distributions to cities by 3.4% and temporarily suspended its distributions of liquor excise taxes. While the liquor excise taxes are expected to be resumed, it will be at a permanently reduced level.

As a result of these challenges, the City remains cautious and as a result continues to vigilantly monitor and control its expenses. However, in the longer-term, the economic outlook for the City is positive. The City has made significant investments in the community, including completion of major redevelopment in its downtown core as well as major community projects such as the opening of the Auburn Activity Center which serves as a central community gathering place for classes and recreation. The City was once again named "Playful City USA" for the fourth consecutive year. City construction and retail activity is improving, paralleling the trend seen regionally and nationally. The City also has placed increased emphasis on its economic development efforts, which has resulted in the City receiving designation as an Innovation Partnership Zone, one of only 4 cities across the State of Washington with this designation.

Recent significant development in the City includes:

- Issuance of 38 commercial and 229 residential building permits with a total construction valuation of \$54.5 million. This includes major redevelopment of The Outlet Collection Seattle (formerly SuperMall of the Great Northwest), construction of the new Trades Building and Student Life Building on the Green River Community College campus, the Landmark Building in downtown Auburn, the HCSA regional hospital laundry processing facility, and purchase of the Auburn Regional Medical Center by MultiCare. As the pace of the economic recovery strengthens, the numbers of commercial and residential building permits and commercial transactions are expected to increase.
- Completion of the A Street NW Extension project and continued construction of the M Street SE Grade Separation project. Both projects represent significant investments in the City's transportation infrastructure and will serve to help to improve local transportation mobility and vehicular and pedestrian safety.
- Obtained funding from the King County Flood Control District and completed the removal of the temporary flood control barriers along the Green River.

In conclusion, the City continues to closely monitor its financial performance and will proactively adjust its current expenditure budget as needed in order to live within its means. While the pace of the economic recovery is gradually improving, short-term challenges to the City's overall financial condition remain. These challenges include a gradual but slow growth in general economic conditions and continued austerity measures at the State and Federal level, both of which may affect the amount of revenues that are available for local services. In the longer term, the City's financial performance is expected to continue to improve as the combined effects of a strengthening economic recovery and a series of community investments are expected to take hold.

Requests for Information

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



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City presents two government-wide financial statements.

The Statement of Net Position

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

The Statement of Activities

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



City of Auburn, Washington
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents (Note 3)	\$ 43,209,699	\$ 29,355,389	\$ 72,565,088
Receivables			
Taxes	459,115	-	459,115
Customer Accounts	266,020	5,330,997	5,597,017
Other Receivables	2,035,306	-	2,035,306
Special Assessments	537,476	-	537,476
Due From Other Governmental Units (Note 6)	1,800,074	799,036	2,599,110
Internal Balances	440,896	(440,896)	-
Materials and Supplies Inventory	153,334	173,616	326,950
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents (Note 3)	7,359,993	5,511,779	12,871,772
Due From Other Governmental Units (Note 6)	3,980,584	-	3,980,584
Permanently Restricted:			
Cash and Cash Equivalents (Note 3)	1,475,580	-	1,475,580
Prepays	1,463,820	-	1,463,820
Long-Term Contracts and Notes	541,569	938,400	1,479,969
Net Pension Asset (Note 10)	289,997	-	289,997
Investment in Joint Ventures (Note 15)	33,532,286	-	33,532,286
Depreciable Capital Assets (Net of Accumulated Depreciation) (Note 7)	247,379,653	176,819,916	424,199,569
Non-Depreciable Capital Assets (Note 7)	138,851,247	31,710,230	170,561,477
Total Assets	483,776,649	250,198,467	733,975,116
LIABILITIES:			
Accounts Payable	5,865,937	2,818,731	8,684,668
Other Liabilities Payable	362,974	-	362,974
Payable From Restricted Assets:			
Accrued Interest	-	1,340,905	1,340,905
Deposits	-	154,257	154,257
Unearned Revenue	1,507,438	900,874	2,408,312
Bonds and Other Debt Payable:			
Due Within One Year (Note 9)	2,499,985	2,436,341	4,936,326
Due in More Than One Year (Note 9)	30,783,566	33,679,056	64,462,622
Due to Other Governmental Units:			
Due Within One Year (Note 9)	808,650	-	808,650
Due in More Than One Year (Note 9)	26,571,200	-	26,571,200
Net OPEB Obligation (Note 11)	4,068,439	-	4,068,439
Total Liabilities	72,468,189	41,330,164	113,798,353
NET POSITION			
Net Investment in Capital Assets	354,899,294	173,709,864	528,609,158
Restricted:			
Capital Projects	10,603,982	-	10,603,982
Nonexpendable Permanent Endowment	1,475,580	-	1,475,580
Debt Service	50,439	4,306,893	4,357,332
Tourist Promotion	109,913	-	109,913
Drug Investigation and Enforcement	856,402	-	856,402
Community Development Block Grant Program	43,397	-	43,397
Central Business District Development	24,403	-	24,403
Rate Stabilization	-	412,165	412,165
Unrestricted	43,245,050	30,439,381	73,684,431
Total Net Position	\$ 411,308,460	\$ 208,868,303	\$ 620,176,763

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

City of Auburn, Washington
STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2012

	Expenses	Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS / PROGRAMS:				
Primary Government				
Governmental Activities:				
General Government	\$ 9,441,887	\$ 897,521	\$ 41,128	\$ 406,321
Public Safety	27,339,301	1,016,191	1,738,152	-
Transportation	15,736,610	1,819,851	1,030,653	15,992,571
Physical Environment	2,535,877	36,766	-	684,239
Culture and Recreation	8,310,210	880,380	750,774	279,924
Economic Environment	2,914,335	3,266,188	-	45,201
Health and Human Resources	633,175	-	-	427,528
Interest on Long-Term Debt	2,336,960	-	-	-
	<u>69,248,355</u>	<u>7,916,897</u>	<u>3,560,707</u>	<u>17,835,784</u>
Business-Type Activities				
Water	9,655,724	10,335,641	-	3,307,307
Sanitary Sewer	19,680,724	18,585,288	-	1,974,964
Storm Drainage	8,025,729	7,479,580	-	1,966,564
Solid Waste	11,305,322	11,515,360	97,052	-
Golf Course	1,912,174	1,371,363	-	-
Nonmajor Business-Type Activities	1,954,104	1,423,456	-	-
	<u>52,533,777</u>	<u>50,710,688</u>	<u>97,052</u>	<u>7,248,835</u>
Total Primary Government	<u>\$ 121,782,132</u>	<u>\$ 58,627,585</u>	<u>\$ 3,657,759</u>	<u>\$ 25,084,619</u>

General Revenues:

Taxes:

- Property
- Retail Sales and Use
- Interfund Utility
- Utility
- Excise
- Other

Investment Earnings

Other Revenues

Gain on Sale of Capital Assets

Contributions to Endowment Funds

Transfers (Note 5)

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Page 2 of 2

Net (Expense) Revenue and
Changes in Net Assets

	Governmental Activities	Business-Type Activity	Total
\$	(8,096,917)	\$ -	\$ (8,096,917)
	(24,584,958)	-	(24,584,958)
	3,106,465	-	3,106,465
	(1,814,872)	-	(1,814,872)
	(6,399,132)	-	(6,399,132)
	397,054	-	397,054
	(205,647)	-	(205,647)
	(2,336,960)	-	(2,336,960)
	(39,934,967)	-	(39,934,967)
	-	3,987,224	3,987,224
	-	879,528	879,528
	-	1,420,415	1,420,415
	-	307,090	307,090
	-	(540,811)	(540,811)
	-	(530,648)	(530,648)
	-	5,522,798	5,522,798
	(39,934,967)	\$ 5,522,798	\$ (34,412,169)
\$	14,970,136	\$ -	\$ 14,970,136
	16,679,278	-	16,679,278
	3,281,816	-	3,281,816
	8,856,498	-	8,856,498
	2,141,620	-	2,141,620
	4,679,333	-	4,679,333
	178,618	82,903	261,521
	291,210	1,781,726	2,072,936
	207,521	(50)	207,471
	48,660	-	48,660
	(513,428)	513,428	-
	50,821,262	2,378,007	53,199,269
	10,886,295	7,900,805	18,787,100
	400,422,165	200,967,498	601,389,663
	411,308,460	\$ 208,868,303	\$ 620,176,763

MAJOR GOVERNMENTAL FUNDS

General Fund

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

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

Arterial Street Fund

This fund is supported by the State of Washington's motor vehicle fuel tax and by various grants 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, 2012

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 22,196,230	\$ 442,024	\$ 6,671,471	\$ 10,248,657	\$ 39,558,382
Receivables:					
Taxes	459,115	-	-	-	459,115
Customer Accounts	51,125	161,952	-	-	213,077
Other Receivables	1,747,276	-	-	288,030	2,035,306
Special Assessments	-	-	-	537,476	537,476
Interfund Receivable (Note 5)	350,000	-	-	-	350,000
Inventories	127	-	-	-	127
Long-Term Notes and Contracts	-	-	541,569	-	541,569
Due From Other Governmental Units (Note 6)	1,725,143	3,353,124	32,133	668,234	5,778,634
Prepays	370,273	-	-	-	370,273
Total Assets	<u>\$ 26,899,289</u>	<u>\$ 3,957,100</u>	<u>\$ 7,245,173</u>	<u>\$ 11,742,397</u>	<u>\$ 49,843,959</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Current Payables	\$ 2,491,513	\$ 1,384,994	\$ 291,129	\$ 950,052	\$ 5,117,688
Customer Deposits	201,230	-	-	-	201,230
Other Liabilities Payable	169	-	-	-	169
Unearned Revenue	504,477	428,393	541,569	537,476	2,011,915
Total Liabilities	<u>3,197,389</u>	<u>1,813,387</u>	<u>832,698</u>	<u>1,487,528</u>	<u>7,331,002</u>
Fund Balances: (Note 1)					
Nonspendable	370,400	-	-	-	370,400
Nonexpendable Permanent Endowment	-	-	-	1,475,580	1,475,580
Restricted	-	2,143,713	4,520,751	5,024,072	11,688,536
Committed	-	-	-	3,258,257	3,258,257
Assigned	5,935,567	-	1,891,724	496,960	8,324,251
Unassigned	17,395,933	-	-	-	17,395,933
Total Fund Balances:	<u>23,701,900</u>	<u>2,143,713</u>	<u>6,412,475</u>	<u>10,254,869</u>	<u>42,512,957</u>
Total Liabilities and Fund Balances	<u>\$ 26,899,289</u>	<u>\$ 3,957,100</u>	<u>\$ 7,245,173</u>	<u>\$ 11,742,397</u>	<u>\$ 49,843,959</u>
Total governmental fund balances as reported on this statement					\$ 42,512,957
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.					379,970,275
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.					
Prepays				1,093,547	
Unearned revenue beyond the city's 30-day measurable and available period				504,477	
Net pension asset				<u>289,997</u>	1,888,021
Internal service funds are used by management to charge the cost of certain activities, such as insurance, fleet maintenance and information technology, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.					18,107,763
Certain Joint Ventures activities do not use or provide current financial resources but increase net assets.					6,152,436
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.					
Bonds and loans payable				(31,395,623)	
Financing cost for bond issue				64,017	
Interest payable				(158,350)	
Net other postemployment obligations				(4,068,439)	
Compensated absences payable				<u>(1,764,597)</u>	(37,322,992)
Net position of government activities as reported on the statement of net position					<u>\$ 411,308,460</u>

The notes to the basic 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, 2012

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 12,866,488	\$ -	\$ -	\$ 2,121,148	\$ 14,987,636
Retail Sales & Use	16,410,035	-	-	269,243	16,679,278
Interfund Utility	2,812,985	-	-	468,831	3,281,816
Utility	7,478,035	-	-	1,378,463	8,856,498
Excise	304,753	-	1,758,724	78,143	2,141,620
Other	-	-	-	56,734	56,734
Licenses and Permits	2,344,643	-	-	-	2,344,643
Intergovernmental	5,832,029	11,805,724	-	2,407,546	20,045,299
Charges for Services	2,432,736	48,841	-	1,525,185	4,006,762
Fines and Forfeitures	1,592,957	-	-	-	1,592,957
Special Assessments	-	-	-	39,115	39,115
Investment Earnings	105,338	2,425	40,964	52,099	200,826
Miscellaneous	487,320	220,770	35,076	128,025	871,191
Total Revenues	<u>52,667,319</u>	<u>12,077,760</u>	<u>1,834,764</u>	<u>8,524,532</u>	<u>75,104,375</u>
EXPENDITURES:					
Current:					
General Government	8,761,452	-	-	-	8,761,452
Security of Persons and Property	23,784,304	-	-	255,131	24,039,435
Physical Environment	2,526,526	-	-	-	2,526,526
Transportation	3,103,693	13,783,955	-	3,878,486	20,766,134
Economic Environment	2,265,824	-	-	610,734	2,876,558
Health and Human Services	616,583	-	-	-	616,583
Culture and Recreation	7,228,288	-	-	57	7,228,345
Debt Service:					
Principal	198,679	80,383	-	940,075	1,219,137
Interest and Other Costs	536,874	6,833	-	1,702,151	2,245,858
Capital Outlay	99,333	-	741,587	3,166,098	4,007,018
Total Expenditures	<u>49,121,556</u>	<u>13,871,171</u>	<u>741,587</u>	<u>10,552,732</u>	<u>74,287,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,545,763</u>	<u>(1,793,411)</u>	<u>1,093,177</u>	<u>(2,028,200)</u>	<u>817,329</u>
OTHER FINANCING SOURCES (USES):					
Sales of Capital Assets	800	-	-	-	800
Insurance Recoveries	291,210	-	-	-	291,210
Transfers In (Note 5)	2,517,000	2,153,426	18,750	1,953,940	6,643,116
Transfers Out (Note 5)	(3,928,368)	-	(863,939)	(2,212,790)	(7,005,097)
Total Other Financing Sources and Uses	<u>(1,119,358)</u>	<u>2,153,426</u>	<u>(845,189)</u>	<u>(258,850)</u>	<u>(69,971)</u>
Net Change in Fund Balances	<u>2,426,405</u>	<u>360,015</u>	<u>247,988</u>	<u>(2,287,050)</u>	<u>747,358</u>
Fund Balances - Beginning	<u>21,275,495</u>	<u>1,783,698</u>	<u>6,164,487</u>	<u>12,541,919</u>	<u>41,765,599</u>
Fund Balances - Ending	<u>\$ 23,701,900</u>	<u>\$ 2,143,713</u>	<u>\$ 6,412,475</u>	<u>\$ 10,254,869</u>	<u>\$ 42,512,957</u>

The notes to the basic 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, 2012

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance	\$	747,358
Amount reported as change in net position 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 (\$22,065,723) exceeded depreciation (\$15,670,827) in the current period.		6,394,896
Certain Capital and Joint Venture activities do not use or provide current financial resources but decrease net position.		(1,760,611)
Governmental funds report sales of assets as other financing sources while the Statement of Activities reports only the gain or loss on sale of capital assets.		177,506
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Unearned revenue	(827,612)	
Amortization of bond premium	37,868	
Investment interest receivable	<u>(1,817)</u>	
		(791,561)
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.		5,781,486
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net position.		1,027,096
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.		307,645
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of debt issue costs	(15,969)	
Amortization of prepaids	(109,355)	
Change in accrued interest payable	(822)	
Change in net pension obligation or asset	16,224	
Change in net other postemployment benefits	(972,272)	
Change in compensated absences payable	<u>84,674</u>	
		(997,520)
Change in net position on the Statement of Activities	\$	<u><u>10,886,295</u></u>

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

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

For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Property	\$ 12,162,565	\$ 12,562,565	\$ 12,866,488	\$ 303,923
Retail Sales & Use	17,151,630	17,083,630	16,410,035	(673,595)
Interfund Utility	2,620,200	2,620,200	2,812,985	192,785
Utility	7,503,820	7,871,820	7,478,035	(393,785)
Excise	381,500	381,500	304,753	(76,747)
Licenses and Permits	1,129,000	1,129,000	2,344,643	1,215,643
Intergovernmental	3,756,285	3,740,833	5,832,029	2,091,196
Charges for Services	1,831,100	1,860,100	2,432,736	572,636
Fines and Forfeitures	2,208,500	1,499,800	1,592,957	93,157
Investment Earnings	115,000	115,000	89,805	(25,195)
Miscellaneous	351,200	352,700	487,320	134,620
Total Revenues	<u>49,210,800</u>	<u>49,217,148</u>	<u>52,651,786</u>	<u>3,434,638</u>
EXPENDITURES:				
Current:				
General Government	9,565,460	9,991,397	8,761,452	1,229,945
Security of Persons and Property	27,118,240	26,626,878	23,784,304	2,842,574
Physical Environment	2,567,000	2,836,870	2,526,526	310,344
Transportation	3,319,920	3,549,560	3,103,693	445,867
Economic Environment	2,249,430	2,372,134	2,265,824	106,310
Health and Human Services	721,920	758,583	616,583	142,000
Culture and Recreation	7,316,770	7,602,670	7,228,288	374,382
Debt Service	304,100	1,313,500	735,553	577,947
Capital Outlay	15,000	70,470	99,333	(28,863)
Total Expenditures	<u>53,177,840</u>	<u>55,122,062</u>	<u>49,121,556</u>	<u>6,000,506</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,967,040)</u>	<u>(5,904,914)</u>	<u>3,530,230</u>	<u>9,435,144</u>
OTHER FINANCING SOURCES (USES):				
Sales of Capital Assets	-	-	800	800
Insurance Recoveries	25,000	98,000	291,210	193,210
Transfers In (Note 5)	17,000	17,000	17,000	-
Transfers Out (Note 5)	(1,434,500)	(3,830,500)	(3,728,368)	102,132
Total Other Financing Sources and Uses	<u>(1,392,500)</u>	<u>(3,715,500)</u>	<u>(3,419,358)</u>	<u>296,142</u>
Net Change in Fund Balances	<u>(5,359,540)</u>	<u>(9,620,414)</u>	<u>110,872</u>	<u>9,731,286</u>
Fund Balances - Beginning	<u>10,487,938</u>	<u>16,238,070</u>	<u>16,238,070</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 5,128,398</u>	<u>\$ 6,617,656</u>	<u>\$ 16,348,942</u>	<u>\$ 9,731,286</u>

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

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

7,352,958

Fund Balance - Ending (GAAP)

\$ 23,701,900

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

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

For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Intergovernmental	\$ 7,220,800	\$ 13,983,370	\$ 11,805,724	\$ (2,177,646)
Charges for Services	-	-	48,841	48,841
Investment Earnings	4,000	4,000	2,425	(1,575)
Miscellaneous	-	257,530	220,770	(36,760)
Total Revenues	<u>7,224,800</u>	<u>14,244,900</u>	<u>12,077,760</u>	<u>(2,167,140)</u>
EXPENDITURES:				
Transportation	14,719,600	18,522,385	13,783,955	4,738,430
Debt Service				
Principal	80,400	80,400	80,383	17
Interest and Other Costs	6,900	6,900	6,833	67
Total Expenditures	<u>14,806,900</u>	<u>18,609,685</u>	<u>13,871,171</u>	<u>4,738,514</u>
Excess (Deficiency) of Revenues Over (Under Expenditures)	<u>(7,582,100)</u>	<u>(4,364,785)</u>	<u>(1,793,411)</u>	<u>2,571,374</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	6,000,000	1,008,115	-	(1,008,115)
Transfers In (Note 5)	1,490,700	2,344,720	2,153,426	(191,294)
Total Other Financing Sources and Uses	<u>7,490,700</u>	<u>3,352,835</u>	<u>2,153,426</u>	<u>(1,199,409)</u>
Net Change in Fund Balances	<u>(91,400)</u>	<u>(1,011,950)</u>	<u>360,015</u>	<u>1,371,965</u>
Fund Balances - Beginning	<u>265,018</u>	<u>1,783,698</u>	<u>1,783,698</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 173,618</u>	<u>\$ 771,748</u>	<u>\$ 2,143,713</u>	<u>\$ 1,371,965</u>

The notes to the basic 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 POSITION
PROPRIETARY FUNDS
 December 31, 2012

	Enterprise Funds						Governmental Activities	
	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Golf Course	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:								
Current Assets								
Cash and Cash Equivalents	\$ 9,097,192	\$ 10,049,455	\$ 7,954,723	\$ 619,337	\$ 486,963	\$ 1,147,719	\$ 29,355,389	\$ 12,486,890
Restricted Cash:								
Bond Payments	1,282,185	448,108	473,264	-	-	-	2,203,557	-
Customer Deposits	14,746	91,391	-	-	-	48,120	154,257	-
Other	1,225,687	514,590	1,413,688	-	-	-	3,153,965	-
Customer Accounts	921,837	2,108,360	923,999	1,367,587	9,214	-	5,330,997	52,943
Due From Other Governmental Units	-	-	705,853	54,268	-	38,915	799,036	2,024
Inventories	147,520	6,479	5,533	-	-	14,084	173,616	153,207
Total Current Assets	12,689,167	13,218,383	11,477,060	2,041,192	496,177	1,248,838	41,170,817	12,695,064
Noncurrent Assets								
Long-Term Contracts and Notes	-	938,400	-	-	-	-	938,400	-
Capital Assets:								
Land	897,971	1,695,023	5,686,254	-	2,229,636	3,996,179	14,505,063	-
Water Rights	5,196,600	-	-	-	-	-	5,196,600	-
Buildings and Equipment	2,463,741	1,171,259	201,254	496,617	6,620,690	3,665,664	14,619,225	17,177,507
Improvements Other Than Buildings	96,250,763	87,643,097	55,581,417	-	3,023,053	9,719,313	252,217,643	72,581
Construction in Progress	9,189,882	1,694,876	1,083,761	-	-	40,048	12,008,567	-
Less: Accumulated Depreciation	(40,620,223)	(21,312,578)	(17,792,199)	(355,473)	(3,226,732)	(6,709,747)	(90,016,952)	(10,989,463)
Total Capital Assets (Net of A/D)	73,378,734	70,891,677	44,760,487	141,144	8,646,647	10,711,457	208,530,146	6,260,625
Total Noncurrent Assets	73,378,734	71,830,077	44,760,487	141,144	8,646,647	10,711,457	209,468,546	6,260,625
Total Assets	86,067,901	85,048,460	56,237,547	2,182,336	9,142,824	11,960,295	250,639,363	18,955,689
LIABILITIES:								
Current Liabilities:								
Current Payables	839,004	423,363	393,826	1,022,704	55,126	84,708	2,818,731	748,249
Customer Deposits	-	-	-	-	-	-	-	3,225
Interfund Payables (Note 5)	-	-	-	-	350,000	-	350,000	-
Loans Payable - Current	435,568	288,262	-	-	-	-	723,830	-
Employee Leave Benefits - Current	158,980	97,848	149,928	23,156	43,928	13,671	487,511	139,092
Revenue Bonds Payable - Current	545,133	141,162	198,705	-	-	-	885,000	-
General Obligation Bonds Payable - Current	-	-	-	-	225,000	115,000	340,000	-
Payable From Restricted Assets:								
Accrued Interest	749,850	316,496	274,559	-	-	-	1,340,905	-
Deposits	14,746	91,391	-	-	-	48,120	154,257	-
Total Current Liabilities	2,743,281	1,358,522	1,017,018	1,045,860	674,054	261,499	7,100,234	890,566
Noncurrent Liabilities								
Unearned Revenue	42,200	162,203	597,204	-	99,267	-	900,874	-
Employee Leave Benefits	55,158	33,948	52,017	8,034	15,241	4,743	169,141	48,256
Loans Payable	3,145,925	3,531,717	-	-	-	-	6,677,642	-
Revenue Bonds Payable	12,362,304	5,182,577	4,606,820	-	-	-	22,151,701	-
General Obligation Bonds Payable	-	-	-	-	3,297,885	1,382,687	4,680,572	-
Total Noncurrent Liabilities	15,605,587	8,910,445	5,256,041	8,034	3,412,393	1,387,430	34,579,930	48,256
Total Liabilities	18,348,868	10,268,967	6,273,059	1,053,894	4,086,447	1,648,929	41,680,164	938,822
NET POSITION:								
Invested in Capital Assets, Net of Related Debt	56,889,804	61,837,121	40,504,264	141,144	5,123,761	9,213,770	173,709,864	6,260,625
Restricted for:								
Debt Service	2,507,872	873,536	925,485	-	-	-	4,306,893	-
Rate Stabilization	-	-	412,165	-	-	-	412,165	-
Unrestricted	8,321,357	12,068,836	8,122,574	987,298	(67,384)	1,097,596	30,530,277	11,756,242
Total Net Position	\$ 67,719,033	\$ 74,779,493	\$ 49,964,488	\$ 1,128,442	\$ 5,056,377	\$ 10,311,366	\$ 208,959,199	\$ 18,016,867

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

(90,896)
\$ 208,868,303

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

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds						Governmental Activities	
	Water	Sanitary Sewer	Storm Drainage	Sold Waste	Golf Course	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:								
Charges of Services	\$ 10,335,641	\$ 18,585,288	\$ 7,479,580	\$ 11,515,360	\$ 1,126,173	\$ 850,984	\$ 49,893,026	\$ 10,569,144
Interest	-	-	-	-	-	607	607	-
Other Operating Revenue	-	-	-	-	245,190	571,865	817,055	276,588
Total Operating Revenue	<u>10,335,641</u>	<u>18,585,288</u>	<u>7,479,580</u>	<u>11,515,360</u>	<u>1,371,363</u>	<u>1,423,456</u>	<u>50,710,688</u>	<u>10,845,732</u>
OPERATING EXPENSES:								
Operations & Maintenance	3,500,564	13,841,985	3,123,618	9,708,125	1,139,372	637,368	31,951,032	8,947,377
Administration	2,503,885	1,956,954	2,641,157	737,430	226,431	760,341	8,826,198	889,105
Depreciation / Amortization	2,171,770	1,746,409	1,456,342	18,819	312,871	464,811	6,171,022	1,311,761
Other Operating Expenses	1,202,664	1,499,459	704,221	840,948	55,876	11,593	4,314,761	-
Total Operating Expenses	<u>9,378,883</u>	<u>19,044,807</u>	<u>7,925,338</u>	<u>11,305,322</u>	<u>1,734,550</u>	<u>1,874,113</u>	<u>51,263,013</u>	<u>11,148,243</u>
Operating Income (Loss)	956,758	(459,519)	(445,758)	210,038	(363,187)	(450,657)	(552,325)	(302,511)
NON-OPERATING REVENUE (EXPENSE):								
Interest Revenue	27,209	32,756	18,299	872	1,252	2,515	82,903	25,864
Other Non-Operating Revenue	725,905	111,224	803,570	156,851	9,846	71,382	1,878,778	43,601
Gain on Sale of Capital Assets	-	-	-	-	-	(50)	(50)	29,215
Interest Expense	(274,449)	(102,869)	(99,496)	-	(177,624)	(79,991)	(734,429)	-
Other Non-Operating Expenses	(2,392)	(1,069)	(895)	-	-	-	(4,356)	-
Total Non-Operating Revenue (Expense)	<u>476,273</u>	<u>40,042</u>	<u>721,478</u>	<u>157,723</u>	<u>(166,526)</u>	<u>(6,144)</u>	<u>1,222,846</u>	<u>98,680</u>
Income (Loss) Before Contributions & Transfers	<u>1,433,031</u>	<u>(419,477)</u>	<u>275,720</u>	<u>367,761</u>	<u>(529,713)</u>	<u>(456,801)</u>	<u>670,521</u>	<u>(203,831)</u>
Capital Contribution	3,307,307	1,974,964	1,966,564	-	-	-	7,248,835	130,944
Transfers In (Note 5)	-	-	-	-	441,128	222,300	663,428	500,340
Transfers Out (Note 5)	(50,000)	(50,000)	(50,000)	-	-	-	(150,000)	(651,787)
Change in Net Position	<u>4,690,338</u>	<u>1,505,487</u>	<u>2,192,284</u>	<u>367,761</u>	<u>(88,585)</u>	<u>(234,501)</u>	<u>8,432,784</u>	<u>(224,334)</u>
Total Net Position Beginning of Year	<u>63,028,695</u>	<u>73,274,006</u>	<u>47,772,204</u>	<u>760,681</u>	<u>5,144,962</u>	<u>10,545,867</u>	<u>200,526,415</u>	<u>18,241,201</u>
Total Net Position End of Year	<u>\$ 67,719,033</u>	<u>\$ 74,779,493</u>	<u>\$ 49,964,488</u>	<u>\$ 1,128,442</u>	<u>\$ 5,056,377</u>	<u>\$ 10,311,366</u>	<u>\$ 208,959,199</u>	<u>\$ 18,016,867</u>
							8,432,784	
							Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(531,979)
							Change in net position of business-type activities	<u>\$ 7,900,805</u>

The notes to the basic 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, 2012

Page 1 of 2

	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Golf Course	Non Major Enterprise Funds	Total	Government Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash Received from Users	\$ 10,303,788	\$ 18,496,037	7,411,067	\$ 11,349,697	\$ 1,381,520	\$ 1,407,720	\$ 50,349,829	\$ 10,947,096
Cash Paid to Suppliers	(3,018,078)	(13,903,373)	(3,157,264)	(9,727,672)	(551,718)	(716,677)	(31,074,782)	(6,559,853)
Cash Paid for Taxes	(1,202,664)	(1,499,459)	(704,221)	(840,949)	(55,876)	(11,593)	(4,314,762)	(3,146)
Cash Paid for Inventory	39,766	668	1,766	-	-	(3,871)	38,329	(35,178)
Cash Paid to Employees	(2,998,395)	(1,973,607)	(2,731,664)	(568,336)	(831,491)	(678,671)	(9,782,164)	(3,377,254)
Other Cash Received	-	-	-	192	15,643	-	15,835	-
Other Cash Paid	-	-	(705,853)	-	-	-	(705,853)	-
Net Cash Provided (Used) by Operating Activities	3,124,417	1,120,266	113,831	212,932	(41,922)	(3,092)	4,526,432	971,665
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Operating Grant Received	-	125,715	444,779	140,272	9,846	38,915	759,527	14,785
Other Non-Operating Gain	515,264	1,230	5,196	760	-	17,288	539,738	3,275
Transfers In	-	-	-	-	441,128	222,300	663,428	500,340
Transfers Out	(50,000)	(50,000)	(50,000)	-	-	-	(150,000)	(651,787)
Net Cash Provided (Used) by Noncapital Financing Activities	465,264	76,945	399,975	141,032	450,974	278,503	1,812,693	(133,387)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds from Sale of Equipment	-	-	-	-	-	-	-	208,038
Purchase of Capital Assets	(10,109,087)	(2,101,205)	(1,063,552)	-	-	(140,966)	(13,414,810)	(1,914,942)
Contributed Capital	476,710	292,616	583,994	-	-	-	1,353,320	-
Capital Grants	-	-	735,148	-	-	(38,915)	696,233	-
Proceeds from Other Governments	200,306	45,000	63,226	-	-	-	308,532	15,171
Proceeds from Insurance Settlement	10,335	-	-	-	-	-	10,335	10,370
Principal Payment on Debt	(661,267)	(288,262)	(79,300)	-	(215,000)	(105,000)	(1,348,829)	-
Interest Payment on Debt	(305,666)	(110,335)	(110,241)	-	(177,719)	(72,741)	(776,702)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(10,388,669)	(2,162,186)	129,275	-	(392,719)	(357,622)	(13,171,921)	(1,681,363)
CASH FLOW FROM INVESTING ACTIVITIES:								
Proceeds from Sale of Investments	2,004,940	1,996,562	-	-	-	-	4,001,502	2,006,120
Interest Received	33,925	32,856	18,299	872	1,252	17,694	104,898	27,503
Net Cash Provided (Used) in Investing Activities	2,038,865	2,029,418	18,299	872	1,252	17,694	4,106,400	2,033,623
Net Increase (Decrease) in Cash and Cash Equivalents	(4,760,123)	1,064,443	661,380	354,836	17,585	(64,517)	(2,726,396)	1,190,538
Cash and Cash Equivalents - Beginning of Year	16,379,933	10,039,101	9,180,295	264,501	469,378	1,260,356	37,593,564	11,296,352
Cash and Cash Equivalents - End of Year	\$ 11,619,810	\$ 11,103,544	9,841,675	\$ 619,337	\$ 486,963	\$ 1,195,839	\$ 34,867,168	\$ 12,486,890
CASH AT END OF YEAR CONSISTS OF:								
Cash and Cash Equivalents	9,097,192	10,049,455	7,954,723	619,337	486,963	1,147,719	29,355,389	12,486,890
Restricted Cash - Bond Payments	1,282,185	448,108	473,264	-	-	-	2,203,557	-
Restricted Cash - Customer Deposits	14,746	91,391	-	-	-	48,120	154,257	-
Restricted Cash - Other	1,225,687	514,590	1,413,688	-	-	-	3,153,965	-
Total Cash	\$ 11,619,810	\$ 11,103,544	9,841,675	\$ 619,337	\$ 486,963	\$ 1,195,839	\$ 34,867,168	\$ 12,486,890

The notes to the basic 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, 2012

Page 2 of 2

	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Golf Course	Non Major Enterprise Funds	Total	Government Activities Internal Service Funds
RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES								
Operating Income (Loss)	\$ 956,758	\$ (459,519)	(445,758)	\$ 210,038	\$ (363,187)	\$ (450,657)	\$ (552,325)	\$ (302,511)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Depreciation	2,171,770	1,746,409	1,456,342	18,819	312,871	464,811	6,171,022	1,311,761
Asset (Increases) Decreases:								
Accounts Receivable	(25,966)	(136,588)	(68,513)	(165,663)	10,157	-	(386,573)	101,364
Miscellaneous A/R Revenue	-	-	(705,853)	-	-	-	(705,853)	-
Inventory	39,766	668	1,766	-	-	(3,871)	38,329	(35,178)
Liability Increases (Decreases):								
Accounts & Vouchers Payable	(29,066)	(86,975)	(130,200)	153,224	(16,350)	19,529	(89,838)	(118,261)
Deposits Payable	(5,887)	47,337	-	-	-	(15,736)	25,714	-
Wages & Benefits Payable	15,677	8,494	2,025	(3,130)	1,047	(2,501)	21,612	7,023
Compensated Absences Payable	1,365	440	4,022	(356)	(2,103)	(14,667)	(11,299)	7,467
Unearned Revenue	-	-	-	-	15,643	-	15,643	-
Total Adjustments	2,167,659	1,579,785	559,589	2,894	321,265	447,565	5,078,757	1,274,176
Net Cash Provided (Used) by Operating Activities	\$ 3,124,417	\$ 1,120,266	113,831	\$ 212,932	\$ (41,922)	\$ (3,092)	\$ 4,526,432	\$ 971,665
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES								
Capital Assets Acquired by Contributed Capital	2,830,597	1,682,348	1,382,570	-	-	-	5,895,515	130,944
Total Non Cash Investing, Capital and Financing Activities	\$ 2,830,597	\$ 1,682,348	1,382,570	\$ -	\$ -	\$ -	\$ 5,895,515	\$ 130,944

The notes to the basic 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 POSITION
FIDUCIARY FUNDS
 December 31, 2012

	Fire Relief Pension Trust Fund	Agency Fund
ASSETS:		
Cash and Cash Equivalents	\$ 2,472,663	\$ 1,231,749
Investments - U.S. Government Securities	85,936	-
Receivables:		
Customer Accounts	-	1,054
Interest	659	-
Total Assets	2,559,258	1,232,803
LIABILITIES:		
Current Payables	7,414	291,214
Due to Other Governmental Units	-	941,589
Total Liabilities	7,414	1,232,803
NET POSITION		
Held in Trust for Pension Benefits and Other Purposes	\$ 2,551,844	\$ -

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

City of Auburn, Washington
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
FIDUCIARY FUNDS
 For the Year Ended December 31, 2012

	Fire Relief Pension Trust fund
<hr/>	
ADDITIONS:	
Fire Insurance Premiums - Intergovernmental Revenue	\$ 63,205
Investment Earnings	6,028
Total Additions	<u>69,233</u>
 DEDUCTIONS:	
Benefit Payments	169,095
Professional Services	514
Administrative Expenses	14,311
Total Deductions	<u>183,920</u>
 Change in Net Postion	 <u>(114,687)</u>
Net Position - Beginning	<u>2,666,531</u>
Net Position - Ending	<u><u>\$ 2,551,844</u></u>

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



City of Auburn

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Reporting Entity

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

Joint Ventures - Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 as modified by GASB Statements No. 34 and 61, the Valley Communications Center and South Correctional Entity Facility (SCORE) are included in the accompanying government-wide statement of net position as a joint venture. (Please refer to Notes 9 and 15).

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

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

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

The Statement of Net Position reports the assets and liabilities of the primary government. The net position section of this statement represents the residual amount of assets and their associated liabilities. The net position section is divided into three categories. The first category is *Net Investment in Capital Assets*, which includes all capital assets, net of accumulated depreciation, less any debt outstanding associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is *Restricted Net Position*, which includes those assets, net of their

related debt that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is *Unrestricted Net Position*, and this represents net position that generally can be used for any purpose. However, they are not necessarily in a spendable form, such as cash.

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

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

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

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

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

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

The *modified accrual basis* of accounting is followed in all governmental and permanent funds of the City. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Revenues are generally considered available if they are collected within the current period or soon enough thereafter (30 days) to pay current liabilities. For derived tax revenues, such as sales tax and utility business and occupation taxes, revenues are recognized in the period when the underlying exchange has occurred. For imposed non-exchange taxes, such as property taxes, revenues are recognized when the use of resources is permitted, or when resources are available. Grant revenue is recognized in the period in which the expenditure occurs and the eligibility requirements have been met. Non-exchange transactions, such as contributions, are recognized when the donation eligibility requirements have been satisfied. Those specific major revenue sources accrued are:

Property Taxes – King County and Pierce County collect property taxes and remit to the City daily or monthly. December collections by each County, remitted in January, are recognized as revenues in current year even though received in the subsequent year since they are considered to be measurable and available. Property taxes remaining uncollected at year-end are reported as “unearned 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 grants, 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 unmatured 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 position. Long-term liabilities, including compensated absences not currently due and payable, are also reported on the government-wide statement of net position.

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

2. Proprietary Fund Types

Financial statements for proprietary funds use the economic resources measurement focus and the accrual basis of accounting. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their Statement of Net Position. Under the accrual basis of accounting, revenues are

recognized when earned and expenses are recorded when incurred. The economic resources measurement focus is applied in the determination of financial position, net income, and cash flow.

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

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

- a. Enterprise funds – These funds are used to account for services to the general public where all or most of the costs, including depreciation, are to be financed or recovered from users of such services. Five enterprise funds are considered major funds. Utilities provided to residents are accounted for in the water fund, sanitary sewer fund, storm drainage fund and the solid waste fund. The golf course fund is used to account for business operations at the City's municipal golf course.
- b. Internal Service funds – These funds are used to account for the financing of goods and services provided to other funds, departments, or governments on a cost reimbursement basis. The City uses internal service funds to account for its fleet of vehicles, its maintenance and operation of facilities, the City-wide provision of computer hardware and software services, and its insurance premiums.

3. Fiduciary Fund Types

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

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

D. Budget and Budgetary Accounting

The City of Auburn budgets in accordance with the Revised Code of Washington (RCW) 35A.33 for the general and special revenue funds. For governmental funds, there are no substantial differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for the biennial budgeted governmental funds only. Budgets

established for proprietary and trust funds are “management budgets”, and are not legally required to be reported and, as such, are not reported in the CAFR.

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

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

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

1. Sixty days prior to each odd numbered fiscal year, the Mayor submits to the City Council a preliminary budget for the biennium commencing the following January 1st. The operating budget includes proposed expenditures and funding sources.
2. Public hearings are conducted at the Auburn City Council Meetings to obtain taxpayer comments.
3. Prior to December 31st, the budget is legally enacted through passage of an ordinance.
4. The final operating budget as adopted is published and distributed after adoption. Copies of the budget are made available to the public.

ORIGINAL AND SUPPLEMENTAL APPROPRIATIONS

	Original Budget	Revisions	Final Budget
Governmental Funds			
General Fund	\$ 54,612,340	\$ 4,340,222	\$ 58,952,562
Total Governmental Funds	<u>54,612,340</u>	<u>4,340,222</u>	<u>58,952,562</u>
Special Revenue Funds:			
Local Street	\$ 2,000,000	\$ 1,021,110	\$ 3,021,110
Arterial Street	14,806,900	3,802,785	18,609,685
Hotel/Motel Tax	85,000	-	85,000
Arterial Street Preservation	1,500,000	251,500	1,751,500
Drug Forfeiture Fund	298,230	30,000	328,230
Housing and Community Development	439,220	41,030	480,250
Business Improvement Area	54,000	-	54,000
Cumulative Reserve	-	226,520	226,520
Mitigation Fees	1,120,700	1,333,640	2,454,340
Total Special Revenue Funds	<u>20,304,050</u>	<u>6,706,585</u>	<u>27,010,635</u>
Total Budgeted Funds	<u>\$ 74,916,390</u>	<u>\$ 11,046,807</u>	<u>\$ 85,963,197</u>

E. Assets, Liabilities, and Fund Balance

1. Deposits and Investments

It is the City's policy to invest all temporary cash surplus. At December 31, 2012, the Washington State Local Government Investment Pool (LGIP) was holding \$80,248,588 in short-term investments. This amount is classified on the Statement of Net Position as cash and cash equivalents. The interest on these investments is prorated to the various funds based upon ownership of investments. For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on deposit with financial institutions in both demand and time deposit accounts, and amounts invested in the Local Government Investment Pool, administered by the State Treasurer's Office because it is operated in a manner consistent with a Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer's Office is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

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

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

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

2. Receivables

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

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

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

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

3. Interfund Receivables and Payables

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

4. Amounts Due From Other Governmental Units

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

5. Inventories and Prepaid Expenses

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

6. Restricted Assets

Restricted assets: customer deposits (\$154,257), accrued interest payable (\$1,340,905), bond proceeds restricted for construction costs (\$11,376,610), nonexpendable permanent endowment for cemetery (\$1,475,580) and due from other governmental units (\$3,980,584).

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” in governmental fund types and as other items in proprietary fund types.

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 position. All infrastructure costs have been calculated and are reported. Government-donated capital assets are stated at their market value on the date donated.

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

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

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

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

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

9. Compensated Absences

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

Unaffiliated employees accrue sick leave at the rate of eight hours per month up to 960 hours. Sick leave accumulations over 960 hours at year-end are paid at 25%. Sick leave is not paid upon termination except in some instances upon separation in good standing, where employees hired before 12/31/1984 can be reimbursed at their current rate for unused sick leave up to a maximum of 960 hours, at a rate based on years of service. The City’s union contracts have varied sick leave accruals and payout options.

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

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

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

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

10. Unearned Revenues

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

11. Fund Balance Components – Proprietary Funds

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

The City holds and administers a Utility System Rate Stabilization Fund. The City may, by ordinance, withdraw from the Rate Stabilization Fund for inclusion in the net revenue of the Utility System at any time for any current fiscal year of the Utility System, except that the total amount withdrawn from the Rate Stabilization Fund in any fiscal year may not exceed the total debt service of the Utility System in that year.

12. Fund Balance Components – Governmental Funds

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

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (investments, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact.

- Restricted fund balance is externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval by ordinance or resolution is required to commit resources or to rescind the commitment.
- Assigned fund balance includes amounts that are constrained by the City’s intent to be used for a specific purpose, but are neither restricted nor committed. It is the City’s policy that intent of use can be assigned by City Council or by a designated official for that purpose. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended December 31, 2012:

Governmental Fund Balances
December 31, 2012

	Major				Total Governmental Funds
	General Fund	Arterial Street Fund	Capital Improvement Fund	Other Governmental Funds	
Nonspendable					
Prepays and Inventory	\$ 370,400	\$ -	\$ -	\$ -	\$ 370,400
Cemetery Endowment	-	-	-	1,475,580	1,475,580
Total Nonspendable	<u>370,400</u>	<u>-</u>	<u>-</u>	<u>1,475,580</u>	<u>1,845,980</u>
Restricted					
Major Street Construction	-	2,143,713	-	-	2,143,713
REET 1 Allowable Projects	-	-	2,458,461	-	2,458,461
REET 2 Allowable Projects	-	-	2,062,290	-	2,062,290
Parks and Trails Construction Projects	-	-	-	192,711	192,711
Fenster Levee Setback	-	-	-	160,177	160,177
Auburn Activity Center	-	-	-	77,227	77,227
Downtown Infrastructure Improvements	-	-	-	501,854	501,854
City Tourism Promotion	-	-	-	109,913	109,913
Drug Investigation and Enforcement	-	-	-	856,402	856,402
Community Development Block Grant Program	-	-	-	43,397	43,397
Recreational Trail Development	-	-	-	22,421	22,421
Downtown Business Area Improvements	-	-	-	24,403	24,403
Street and Fire Service Mitigation Fees	-	-	-	2,985,128	2,985,128
Debt Service	-	-	-	50,439	50,439
Total Restricted	<u>-</u>	<u>2,143,713</u>	<u>4,520,751</u>	<u>5,024,072</u>	<u>11,688,536</u>
Committed					
Local Street Improvements (Save our Streets)	-	-	-	1,581,264	1,581,264
Arterial Street Preservation	-	-	-	1,676,993	1,676,993
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,258,257</u>	<u>3,258,257</u>
Assigned					
Appropriations Over Estimated Revenue	5,935,567	-	-	-	5,935,567
Arterial Street Preservation Fund	-	-	-	3,308	3,308
Downtown and Sidewalk Improvements	-	-	1,891,724	-	1,891,724
Drug Investigation and Enforcement	-	-	-	1,672	1,672
Community Development Block Grant Program	-	-	-	15	15
Recreational Trail Development	-	-	-	29	29
Downtown Business Area Improvements	-	-	-	53	53
Local Street Improvements	-	-	-	154,219	154,219
School Administration Fees	-	-	-	76,051	76,051
Cemetery Capital Enhancement and Maintenance	-	-	-	110,336	110,336
Downtown Infrastructure Improvements	-	-	-	105,122	105,122
Debt Service	-	-	-	46,155	46,155
Total Assigned	<u>5,935,567</u>	<u>-</u>	<u>1,891,724</u>	<u>496,960</u>	<u>8,324,251</u>
Unassigned					
Unassigned	17,395,933	-	-	-	17,395,933
Total Unassigned	<u>17,395,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,395,933</u>
Total Fund Balances	<u>\$ 23,701,900</u>	<u>\$ 2,143,713</u>	<u>\$ 6,412,475</u>	<u>\$ 10,254,869</u>	<u>\$ 42,512,957</u>

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 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, 2012, the carrying amount of the City's cash demand deposits with Key Bank totaled \$10,275,464 while the bank balance was \$10,342,860. In addition, there was \$92,800 in petty cash (\$10,000 in the Drug

Forfeiture Fund to be used for enforcements purposes, \$7,300 in various petty cash and cashier change funds, and \$75,500 in fiduciary funds).

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

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

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

As required by State law, all investments of the City's funds are obligations of the U.S. Government, or deposits with Washington State banks that participate in the WPDPC. Pension and permanent funds are not subject to these limitations. All temporary investments are stated at cost. Other investments are shown on the statement of net position at fair value. Investments that were not at par value (cost) as of December 31, 2012 are reported at fair value. The fair value of the position in the state investment pool is the same as the value of shares held by the City in the pool at amortized cost because it is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940.

During 2012, the net decrease in the fair value of investments being held for more than one year is \$3,833 at year-end.

As of December 31, 2012, the City had the following investments and maturities:

Schedule of Investments by Maturities
As of December 31, 2012

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	\$ 80,248,588	\$ 80,248,588	\$ -	\$ -	\$ -
US Treasuries	85,936	-	-	-	85,936
	<u>\$ 80,334,524</u>	<u>\$ 80,248,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,936</u>
Reconciliation to government-wide statement of net position:					
Total investments above	\$ 80,334,524				
Plus: cash in checking	10,275,464				
Plus: petty cash	92,800				
Less: cash investments in fiduciary funds	<u>(3,790,348)</u>				
Total cash and investments, government-wide statement of net position	<u>\$ 86,912,440</u>				

Reconciliation of Cash and Investments
Government-Wide Statement of Net Position
As of December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 43,209,699	\$ 29,355,389	\$ 72,565,088
Temporarily Restricted:			
Cash and Cash Equivalents	7,359,993	5,511,779	12,871,772
Permanently Restricted:			
Cash and Cash Equivalents	1,475,580	-	1,475,580
	<u>\$ 52,045,272</u>	<u>\$ 34,867,168</u>	<u>\$ 86,912,440</u>

Interest Rate Risk

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

Credit Risk

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

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

As of December 31, 2012, the City had investments in a limited number of investment instruments as follows:

- 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, 2012.

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, 2012

	State Investment Pool	U.S. Securities	Total
Fiduciary Funds	\$ -	\$ 85,936	\$ 85,936
Treasurer's Residual Funds	80,248,588	-	80,248,588
Total	\$ 80,248,588	\$ 85,936	\$ 80,334,524

NOTE 4 – PROPERTY TAXES

Property taxes received during tax year 2012 were \$14,987,636 including collection of prior year delinquent assessments. Property taxes assessed for collection in tax year 2012 were based on a regular tax levy of \$1.93 per \$1,000 on a total 2011 assessed value of \$7,199,853,130.

For levy year 2012, to be received in 2013, the City's regular tax levy is \$2.07 per \$1,000 on a 2012 assessed valuation of \$6,909,168,076, as of December 31, 2012, for a total regular levy of \$15,177,000. 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, 2012, 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	\$ 103,637,521	\$ 69,091,681	\$ 172,729,202	\$ 172,729,202	\$ 518,187,606
Outstanding indebtedness	(63,815,473)	-	-	-	(63,815,473)
Margin available	<u>\$ 39,822,048</u>	<u>\$ 69,091,681</u>	<u>\$ 172,729,202</u>	<u>\$ 172,729,202</u>	<u>\$ 454,372,133</u>

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 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 an unearned 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 2012. 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. The principal purposes for interfund transfers include interfund subsidies, transfers into capital project and debt service funds and transfers into internal service funds for interfund facility, information services and equipment rental services:

Funds	Transfers	
	Transfer In	Transfer Out
Governmental funds:		
General	\$ 2,517,000	\$ 3,728,368
General - Cumulative reserve	-	200,000
Total general fund	2,517,000	3,928,368
Special revenue funds:		
Local street fund	150,000	-
Arterial street fund	2,153,426	-
Mitigation fees	-	2,180,490
Total special revenue funds	2,303,426	2,180,490
Debt service funds:		
1998 library GO	286,900	-
2010 A&B Annex	1,289,587	-
2010 C&D Local Rev	194,827	-
LID guarantee	-	10,000
Total debt service funds	1,771,314	10,000
Capital projects funds:		
Capital Improvement Major	18,750	863,939
Park construction Non Maj	32,626	-
Total capital projects funds	51,376	863,939
Proprietary funds:		
Water	-	50,000
Sewer	-	50,000
Storm drainage	-	50,000
Cemetery	222,300	-
Golf course	441,128	-
Total proprietary funds	663,428	150,000
Internal service funds:		
Facilities	300,000	644,787
Information services	100,170	-
Equipment rental	100,170	7,000
Total internal service funds	500,340	651,787
Permanent funds:		
Cemetery endowed care	-	22,300
Total	\$ 7,806,884	\$ 7,806,884

All transfers are considered routine.

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

Interfund Loans		Balance			Balance
Due From	Due To	1/1/2012	New Loans	Repayments	12/31/2012
Golf course fund	General fund	\$ 350,000	\$ -	\$ -	\$ 350,000
Total interfund loans		<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,000</u>

All interfund loans are considered short-term cash loans.

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

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

As of December 31, 2012, the City had receivables due from other governmental units as follows:

Due from Other Governmental Units	
General Fund:	
Department of Justice	\$ 118,145
King County - Real Estate Excise Taxes	254,689
King Conservation District - Farmer's Market	2,148
King County Sheriff's - Registered Sex Offender Grant	15,817
Muckleshoot Casino	182,594
WA State Military Department - EMPG Grant	15,152
Pierce County - Real Estate Excise Taxes	9,057
WA Auto Theft Prevention Authority - Auto Theft Prevention Grant	10,160
WA State Traffic Safety - Seat belt / DUI enforcement	2,230
WA State Treasurer - Sales Taxes	<u>1,115,152</u>
Total General Fund	1,725,143
Arterial Street Fund:	
King County Department of Natural Resources & Parks	51,458
WA State Transportation Improvement Board - Arterial Street Imp.	750,599
Port of Seattle	385,700
Muckleshoot Indian Tribe	40,239
WA Dept. of Transportation - Arterial street imp.	<u>2,125,128</u>
Total Arterial Street Fund	3,353,124
Drug Forfeiture Fund:	
VNET	19,665
Housing & Community Development:	
U.S. Dept. of Housing - Community Development Block Grant	57,325
Municipal Park Construction:	
Green River Community College	518,337
General Government Capital Improvements:	
Pierce County - Real Estate Excise Taxes	32,133
Local Revitalization Fund:	
Department of Commerce - Economic Development Administration	72,907
Storm Fund:	
King County - Land/Flood Control	705,853
Solid Waste Fund:	
Department of Ecology - ECPG Grant	1,673
King County - Local hazardous waste management grant	20,548
King County - Waste reduction and recycling grant	<u>32,047</u>
Total solid waste fund	54,268
Airport Fund	
Federal Aviation Administration	38,915
Information Services Fund:	
VRFA	<u>2,024</u>
Total	<u>\$ 6,579,694</u>
Reconciliation to government-wide statement of net position:	
Total above due from other governmental units	6,579,694
Amount due to fiduciary fund	<u>-</u>
Total due from other governmental units, government-wide statement of net position	<u>\$ 6,579,694</u>

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2012 is as follows:

Schedule of Capital Asset Activity

	Balance 1/1/12	Increases	Decreases/ Adjustments	Balance 12/31/12
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 109,603,713	\$ 1,013,194	\$ (217,000)	\$ 110,399,907
Construction in progress	21,516,518	28,445,889	(21,511,067)	28,451,340
Total capital assets, not being depreciated	131,120,231	29,459,083	(21,728,067)	138,851,247
Capital assets, being depreciated:				
Buildings	57,944,130	785,763	-	58,729,893
Improvements other than buildings	15,525,120	903,646	-	16,428,766
Machinery and equipment	19,970,573	2,026,968	(1,186,719)	20,810,822
Intangibles	1,095,684	11	(11)	1,095,684
Infrastructure	274,314,688	18,654,065	-	292,968,753
Total capital assets being depreciated	368,850,195	22,370,453	(1,186,730)	390,033,918
Less: accumulated depreciation for:				
Buildings	(10,374,886)	(1,236,222)	-	(11,611,108)
Improvements other than buildings	(9,981,782)	(597,559)	-	(10,579,341)
Machinery and equipment	(13,364,678)	(1,533,449)	977,032	(13,921,095)
Intangibles	(290,128)	(59,045)	-	(349,173)
Infrastructure	(92,637,235)	(13,556,313)	-	(106,193,548)
Total accumulated depreciation	(126,648,709)	(16,982,588)	977,032	(142,654,265)
Total capital assets, being depreciated, net	242,201,486	5,387,865	(209,698)	247,379,653
Governmental activities capital assets, net	<u>\$ 373,321,717</u>	<u>\$ 34,846,948</u>	<u>\$ (21,937,765)</u>	<u>\$ 386,230,900</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 14,505,063	\$ -	\$ -	\$ 14,505,063
Water Rights	-	5,196,600	-	5,196,600
Construction in progress	15,321,328	8,117,925	(11,430,686)	12,008,567
Total capital assets, not being depreciated	29,826,391	13,314,525	(11,430,686)	31,710,230
Capital assets, being depreciated:				
Buildings	11,308,432	88,202	-	11,396,634
Improvements other than buildings	234,900,573	17,310,663	-	252,211,236
Machinery and equipment	3,220,812	27,621	(19,435)	3,228,998
Total capital assets being depreciated	249,429,817	17,426,486	(19,435)	266,836,868
Less: accumulated depreciation for:				
Buildings	(4,574,759)	(300,977)	-	(4,875,736)
Improvements other than buildings	(76,526,347)	(5,795,722)	-	(82,322,069)
Machinery and equipment	(2,764,208)	(74,323)	19,384	(2,819,147)
Total accumulated depreciation	(83,865,314)	(6,171,022)	19,384	(90,016,952)
Total capital assets, being depreciated, net	165,564,503	11,255,464	(51)	176,819,916
Business-type activities capital assets, net	<u>\$ 195,390,894</u>	<u>\$ 24,569,989</u>	<u>\$ (11,430,737)</u>	<u>\$ 208,530,146</u>

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

Governmental activities:	
General government	\$ 1,263,621
Public safety	425,252
Transportation	12,925,508
Physical environment	-
Culture and recreation	1,056,446
Economic environment	-
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>1,311,761</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 16,982,588</u>
Business-type activities:	
Water	\$ 2,171,770
Sanitary sewer	1,746,409
Storm water	1,456,342
Solid waste	18,819
Golf course	312,871
Airport	397,164
Cemetery	<u>67,647</u>
Total depreciation expense - business-type activities	<u>\$ 6,171,022</u>

The 2012 total interest cost incurred for business-type activities was \$1,485,473 of which \$734,429 was charged to expense and \$751,044 capitalized.

NOTE 8 – CAPITAL LEASE OBLIGATION

The City has the following capital lease:

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

Schedule of Future Minimum Lease Payments

	Lease Payable
	<u>Theater</u>
2013	\$ 75,118
2014	75,118
2015	75,118
2016	75,118
2017	75,118
2018-2021	301,703
Total minimum lease payments	677,293
Less: Amounts representing interest	<u>(152,795)</u>
Present value of future minimum lease payments	<u>\$ 524,498</u>

As of December 31, 2012, the gross value of the Auburn Theater facility acquired under the capital lease is \$695,504. Monthly lease payments of \$6,259.82 plus annual inflation adjustments based on the U.S. CPI-W index are payable through the end of the lease period on December 1, 2021. Interest on the lease was imputed at 5.89 percent.

NOTE 9 – LONG-TERM DEBT

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

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

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

The City advance refunded the 1998 Limited Tax General Obligation bonds in 2010. The debt is considered extinguished in an in-substance defeasance and, accordingly is not reflected in the accompanying financial statements. The remaining balance of outstanding defeased debt as of December 31, 2012 is \$1,465,000.

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. Auburn currently has six outstanding loans with a remaining total balance of \$8,687,599. Five of the loans are for water and sewer construction projects. The loans are being repaid from water and sewer fund revenues over a 20-year period that begins upon each project completion (PWTF 1999, PWTF 2001, PWTF 2002, PWTF 2004, PWTF 2006). The other loan is for arterial street improvements and is being repaid from arterial street fund revenues over a 20-year period that began in 2009 upon project completion (PWTF 2008).

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

The following schedules summarize the long-term debt transactions of the City for the year ended December 31, 2012. The first table summarizes all debt transactions for Auburn, while the second provides detailed information on all long-term debt. Additional schedules reflect total annual debt service requirements to maturity and the reconciliation of debt by fund type.

CHANGES IN LONG-TERM LIABILITIES SUMMARY

	General Obligation ⁽¹⁾	Utility	Employee Leave Benefit	Other Post Employment Benefits	Premium	Financing Costs	Due To Other Governments	Total
Long-term debt payable 12/31/11	\$37,782,720	\$ 31,055,303	\$ 2,697,105	\$ 3,096,167	\$882,779	\$ (512,747)	\$ 27,580,850	\$ 102,582,177
Added	-	-	1,887,731	1,670,548	-	-	-	3,558,279
Retired	(1,347,097)	(1,028,829)	(1,976,239)	(698,276)	(83,388)	41,610	(201,000)	(5,293,219)
Long-term debt payable 12/31/12	\$ 36,435,623	\$ 30,026,474	\$ 2,608,597	\$ 4,068,439	\$ 799,391	\$ (471,137)	\$ 27,379,850	\$ 100,847,237

⁽¹⁾ Includes capital leases

DEBT SERVICE REQUIREMENT TO MATURITY

Year	General Obligation Bonds		Capital Lease Obligation		Utility Bonds/Loans		Employee Leave Benefits	Total Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal ⁽¹⁾	Interest
2013	\$ 2,073,650	\$ 3,495,405	\$ 45,439	\$ 29,679	\$ 1,689,213	\$ 1,266,854	\$ 1,936,674	\$ 5,744,976	\$ 4,791,938
2014	2,141,500	3,423,436	48,188	26,930	1,719,213	1,232,140	67,192	3,976,093	4,682,506
2015	2,211,900	3,336,192	51,105	24,013	1,749,213	1,194,737	67,192	4,079,410	4,554,942
2016	2,075,150	3,247,736	54,197	20,921	1,789,213	1,149,511	67,192	3,985,752	4,418,168
2017	2,159,950	3,159,462	57,477	17,641	1,834,213	1,102,760	67,192	4,118,832	4,279,863
2018-2022	10,281,900	14,469,064	268,092	33,611	9,091,875	4,719,154	335,960	19,977,827	19,221,829
2023-2027	10,795,350	12,402,984	-	-	8,404,275	2,932,105	67,196	19,266,821	15,335,089
2028-2032	11,754,750	9,682,589	-	-	5,035,383	642,880	-	16,790,133	10,325,469
2033-2037	12,945,050	5,880,407	-	-	-	-	-	12,945,050	5,880,407
2038-2039	5,565,650	1,403,945	-	-	-	-	-	5,565,650	1,403,945
Totals	\$ 62,004,850	\$ 60,501,220	\$ 524,498	\$ 152,795	\$ 31,312,598	\$ 14,240,141	\$ 2,608,598	\$ 96,450,544	\$ 74,894,156

⁽¹⁾ \$ 96,450,544 Principal debt service requirements to maturity
4,068,439 Other Post Employment Benefits
799,391 Premium
(471,137) Financing Costs
\$ 100,847,237 Long Term Liabilities 12/31/2012

CHANGES IN LONG-TERM LIABILITIES

Issue Name	Interest Rates	Maturity Date	Original Amount	Principal Installments	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Due Within One Year
GOVERNMENTAL DEBT									
<u>General Obligation Bonds:</u>									
LTGO 2010A (1)	2.00-4.50%	12/1/2018	\$ 4,385,000	\$510,000 - \$270,000	\$ 3,185,000	\$ -	\$ (705,000)	\$ 2,480,000	\$ 720,000
LTGO 2010B (1)	3.27-6.24%	12/1/2039	20,365,000	\$535,000 - \$1,240,000	20,365,000	-	-	20,365,000	0
LTGO 2010C (1)	2.00-4.00%	12/1/2014	920,000	\$105,000 - \$215,000	620,000	-	(200,000)	420,000	205,000
LTGO 2010D (1)	3.27-6.19%	12/1/2034	6,320,000	\$220,000 - \$445,000	6,320,000	-	-	6,320,000	0
Total General Obligation Bonds			31,990,000		30,490,000	-	(905,000)	29,585,000	925,000
<u>Capital Lease:</u>									
Auburn Avenue Theater	5.89%	12/31/2021	695,504	\$5,500 - \$6,260	566,212	-	(41,714)	524,498	45,439
<u>Employee Leave Benefits:</u>									
Compensated absences			-		2,029,152	1,412,540	(1,489,747)	1,951,945	1,449,163
<u>Other Post Employment Benefits:</u>									
LEOFF 1			-		3,096,167	1,670,548	(698,276)	4,068,439	-
<u>Public Works Trust Fund Loans:</u>									
PWTF 2008	0.50%	7/1/2028	1,527,273	80,383	1,366,508	-	(80,383)	1,286,125	80,383
Premium Related to Debt					230,108	-	(37,868)	192,240	-
Financing Costs Related to Debt					(272,226)	-	15,969	(256,257)	-
Total Governmental			<u>\$ 34,212,777</u>		<u>\$ 37,505,921</u>	<u>\$ 3,083,088</u>	<u>\$ (3,237,019)</u>	<u>\$ 37,351,990</u>	<u>\$ 2,499,985</u>
BUSINESS-TYPE DEBT									
<u>General Obligation Bonds:</u>									
GO refunding bond 2005 ⁽¹⁾	4.00-4.50%	12/1/2019	\$ 1,375,000	\$10,000 - \$190,000	\$ 1,160,000	\$ -	\$ (105,000)	\$ 1,055,000	\$ 115,000
GO bond 2006 ⁽¹⁾	4.25-5.00%	12/1/2025	3,275,000	\$5,000 - \$395,000	3,275,000	-	-	3,275,000	-
GO bond 2006 taxable	5.40-5.52%	12/1/2015	1,885,000	\$45,000 - \$245,000	925,000	-	(215,000)	710,000	225,000
Total General Obligation Bonds			6,535,000		5,360,000	-	(320,000)	5,040,000	340,000
<u>Revenue Bonds:</u>									
Utility sys refunding bonds 2005 ⁽¹⁾	3.00-4.75%	11/1/2016	2,765,000	\$45,000 - \$355,000	1,635,000	-	(305,000)	1,330,000	310,000
Utility sys bonds 2010 ⁽¹⁾	3.00-6.40%	12/1/2030	21,295,000	\$575,000 - \$1,720,000	21,295,000	-	-	21,295,000	575,000
Total Revenue Bonds			24,060,000		22,930,000	-	(305,000)	22,625,000	885,000
<u>Employee Leave Benefits:</u>									
Compensated absences			-		667,953	475,191	(486,492)	656,652	487,511
<u>Public Works Trust Fund Loans:</u>									
PWTF 1999	1.00%	7/1/2019	3,465,000	\$182,368	1,458,947	-	(182,368)	1,276,579	182,368
PWTF 2001	0.50%	7/1/2021	4,290,405	\$227,086	2,270,856	-	(227,085)	2,043,771	227,086
PWTF 2002	1.00%	7/1/2022	641,250	\$26,114	287,259	-	(26,114)	261,145	26,114
PWTF 2004	0.50%	7/1/2024	2,049,036	\$107,844	1,401,972	-	(107,844)	1,294,128	107,844
PWTF 2006	0.50%	7/1/2026	3,325,000	\$180,418	2,706,269	-	(180,418)	2,525,851	180,418
Total Public Works Trust Fund Loans			13,770,691		8,125,303	-	(723,829)	7,401,474	723,830
Premium Related to Debt					652,671	-	(45,520)	607,151	-
Financing Costs Related to Debt					(240,521)	-	25,641	(214,880)	-
Total Proprietary			<u>\$ 44,365,691</u>		<u>\$ 37,495,406</u>	<u>\$ 475,191</u>	<u>\$ (1,855,200)</u>	<u>\$ 36,115,397</u>	<u>\$ 2,436,341</u>
Total All Funds			<u>\$ 78,578,468</u>		<u>\$ 75,001,327</u>	<u>\$ 3,558,279</u>	<u>\$ (5,092,219)</u>	<u>\$ 73,467,387</u>	<u>\$ 4,936,326</u>

⁽¹⁾ Subject to federal arbitrage compliance rules.

Due to Other Governments

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

CHANGES IN LONG-TERM LIABILITIES DUE OTHER GOVERNMENTS

Issue Name	Interest Rates	Maturity Date	Original Amount	Principal Installments	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Due Within One Year
GOVERNMENTAL DEBT:									
<u>General Obligation Bonds:</u>									
Valley Communication Public Dev Auth	3.00-4.00%	12/1/2015	\$ 1,065,000	\$21,000 - \$220,000	\$ 848,000	\$ -	\$ (201,000)	\$ 647,000	\$ 215,000
SCORE Public Development Authority	3.00-6.62%	1/1/2039	26,732,850	\$593,650 - \$1,601,150	26,732,850	-	-	26,732,850	593,650
Total General Obligation Bonds Due Other Governments			<u>\$ 27,797,850</u>		<u>\$ 27,580,850</u>	<u>\$ -</u>	<u>\$ (201,000)</u>	<u>\$ 27,379,850</u>	<u>\$ 808,650</u>

LONG-TERM LIABILITIES RECONCILIATION

	Enterprise Funds	Governmental Funds	12/31/12
Liabilities payable from restricted assets:			
Revenue bonds	\$ 2,102,537	\$ -	\$ 2,102,537
Long-term bonds payable:			
General obligation bonds	5,040,000	29,585,000	34,625,000
Capital lease	-	524,498	524,498
Revenue bonds	20,522,463	-	20,522,463
Special assessments with government commitment	-	-	-
Public Works Trust Fund loans	7,401,474	1,286,125	8,687,599
Due to Other Governments	-	27,379,850	27,379,850
Employee leave benefits	656,652	1,951,945	2,608,597
Other Post Employment Benefits	-	4,068,439	4,068,439
Premium	607,151	192,240	799,391
Financing Costs	(214,880)	(256,257)	(471,137)
Total long-term debt	<u>\$ 36,115,397</u>	<u>\$ 64,731,840</u>	<u>\$100,847,237</u>

Revenue Bond Debt Service Coverage

The required debt service coverage for the 2010 utility revenue bonds and the 2005 utility revenue refunding bonds is 1.25. Debt service coverage for 2012 was 3.1. The ratio indicates the direction and degree to which the revenue stream exists to meet the current debt burden. The ratio is calculated by dividing the net revenue available by debt service requirements.

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

Estimated Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt of over \$5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City's estimated rebatable arbitrage amount as of December 31, 2012 is \$0 for its tax-exempt bond issues subject to the Tax Reform Act issued through that date.

NOTE 10 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers, and Statement 50, Pension Disclosure, an Amendment of GASB Statement No. 25 and No. 27.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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.

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

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 account for the defined benefits of Plan members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined

benefit plan may legally be used to pay the defined benefits of any of the Plan 2 and Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members of PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

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

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on Consumer Price Index), capped at 3 percent annually.

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

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

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on the member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with the self-directed investments are paid by the members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS's fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost of living allowance as Plan 2.

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

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

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

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

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

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

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

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

Judicial Benefit Multiplier

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

Members who choose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75 percent of average final 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 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	79,363
Terminated Plan Members Entitled to but not yet Receiving Benefits	29,925
Active Plan Members Vested	105,578
Active Plan Members Non-vested	<u>46,839</u>
Total	261,705

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on the member choice. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2012, were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%	7.21%	7.21%**
Employee	12.26%	11.60%	7.50%***

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

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	\$ 29,077	\$ 1,182,550	\$ 268,187
2011	26,173	1,002,132	227,334
2010	21,906	845,629	181,993

The employer contribution rate for the City was 5.31% in 2010, 7.25% in 2011, and 7.21% in 2012.

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

Plan Description

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

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF covered employment.

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

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

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

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

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

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

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

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

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

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

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

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

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

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

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

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

There are 373 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	9,947
Terminated Plan Members Entitled to but not yet Receiving Benefits	656
Active Plan Members Vested	13,942
Active Plan Members Non-vested	<u>3,113</u>
Total	27,658

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS fiscal year 2012, the state contributed \$52.8 million to LEOFF Plan 2. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%

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

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

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

	LEOFF Plan 1	LEOFF Plan 2
2012	\$ -	\$ 467,819
2011	-	459,991
2010	190	469,715

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

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

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

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

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

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members of PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS covered employment.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) 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, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS 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 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS Plan 2 members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children, may request interruptive military service credit.

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

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

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

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	15
Terminated Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members Vested	167
Active Plan Members Non-vested	<u>4,020</u>
Total	4,203

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. 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, 2012, were as follows:

	<u>PSERS Plan 2</u>
Employer*	8.87%
Employee	6.36%

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

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

	<u>PSERS Plan 2</u>
2012	\$ -
2011	-
2010	55,262

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, 2013 that no future City contributions would be required beyond future revenues from state fire insurance taxes and interest earnings. In 2012, \$63,205 was received from the state from taxes on fire insurance premiums. On-behalf payments of fringe benefits and salaries for the City’s employees were recognized as revenues and expenditures/expenses during the period. Administrative costs, such as City staff time and actuarial valuation costs are funded from interest earnings or City contributions. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

GASB STATEMENT No. 25 SCHEDULE OF EMPLOYER CONTRIBUTIONS				GASB STATEMENT No. 27 THREE YEAR TREND INFORMATION		
Fiscal Year Ending	Actual Employer Contributions*	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation
December 31, 2000	\$ 31,721	5,381	590%	\$ 5,520	574.66%	\$ (48,808)
December 31, 2001	37,281	-	N/A	341	10932.84%	(85,748)
December 31, 2002	40,869	-	N/A	684	5975.00%	(125,933)
December 31, 2003	45,664	-	N/A	1,137	4016.18%	(170,460)
December 31, 2004	(137,783)	(91,881)	N/A	(90,143)	N/A	(122,820)
December 31, 2005	(144,746)	(78,690)	N/A	(76,827)	N/A	(54,901)
December 31, 2006	(149,327)	(78,690)	N/A	(77,774)	N/A	16,652
December 31, 2007	17,920	(5,048)	N/A	(5,420)	N/A	(6,688)
December 31, 2008	12,167	(5,048)	N/A	(4,885)	N/A	(23,740)
December 31, 2009	37,232	(78,233)	N/A	(77,503)	N/A	(138,475)
December 31, 2010	49,049	(78,233)	N/A	(73,634)	N/A	(261,158)
December 31, 2011	43,474	21,469	202%	30,859	140.88%	(273,773)
December 31, 2012	48,380	21,469	225%	32,156	150.00%	(289,997)

**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 (Asset) Balance ⁽³⁾
12/31/2000	\$ 5,381	\$ (1,582)	\$ (1,721)	13.14%	\$ 5,520	\$ 31,721	\$ (26,201)	(48,808)
12/31/2001	-	(3,417)	(3,758)	12.99%	341	37,281	(36,940)	(85,748)
12/31/2002	-	(6,002)	(6,686)	12.83%	684	40,869	(40,185)	(125,933)
12/31/2003	-	(8,815)	(9,952)	12.65%	1,137	45,664	(44,527)	(170,460)
12/31/2004	(91,881)	(11,932)	(13,670)	12.47%	(90,143)	(137,783)	47,640	(122,820)
12/31/2005	(78,690)	(7,369)	(9,232)	13.30%	(76,827)	(144,746)	67,919	(54,901)
12/31/2006	(78,690)	(3,294)	(4,210)	13.04%	(77,774)	(149,327)	71,553	16,652
12/31/2007	(5,048)	833	1,205	13.82%	(5,420)	17,920	(23,340)	(6,688)
12/31/2008	(5,048)	(334)	(497)	13.46%	(4,885)	12,167	(17,052)	(23,740)
12/31/2009	(78,233)	(950)	(1,680)	14.13%	(77,503)	37,232	(114,735)	(138,475)
12/31/2010	(78,233)	(5,539)	(10,138)	13.66%	(73,634)	49,049	(122,683)	(261,158)
12/31/2011	21,469	(10,446)	(19,836)	13.17%	30,859	43,474	(12,615)	(273,773)
12/31/2012	21,469	(10,951)	(21,638)	12.65%	32,156	48,380	(16,224)	(289,997)

- ⁽¹⁾ A change in consulting actuaries resulted in a recommended change in the actuarial methods and assumptions.
- ⁽²⁾ 7% interest rate was used for years prior to January 1, 2000-2004; 6% 2005-2006; 5% 2007-2008; 4% 2011-2012, and 3.75% 2012.
- ⁽³⁾ The Net Pension Obligation (NPO) balance is reflected as part of Deferred Charges on the Government-wide Statement of Net Position prior to 2010.
- * Based on 30-year level-dollar closed amortization as of January 1, 1999.

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

Actuarial Valuation Info:

Valuation date:	January 1, 2013
Actuarial cost method:	Entry age normal
Amortization method:	30-year, closed as of January 1, 1999
Remaining amortization period:	16 years
Asset valuation method:	Fair market value

Actuarial Assumptions

Inflation rate:	2.50%
Investment rate of return:	3.75%
Projected salary increases:	3.50%
Cost-of living adjustments:	2.50%

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

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

Plan Description

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

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

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

Funding Policy

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

Membership

As of December 31, 2012, there was 1 active member and 58 retirees meeting the eligibility requirements of a LEOFF 1 member. This is considered a closed group with no new members. The one active member is employed by the Valley Regional Fire Authority (VRFA) which is a separate governmental entity and the City is billed annually for their medical costs.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	Fiscal Year Ending		
	12/31/2010	12/31/2011	12/31/2012
1. Annual Normal Costs at beginning of year	\$ 90,257	\$ 101,456	\$ 101,456
2. Amortization of UAAL at beginning of year	1,540,432	2,011,425	2,011,425
3. Interest to end of year	81,534	84,515	84,515
4. ARC at end of year	\$ 1,712,223	\$ 2,197,396	\$ 2,197,396
5. Interest on Net OPEB Obligation	72,339	82,754	123,847
6. Adjustment to ARC	114,014	157,139	244,712
7. Annual OPEB Cost	\$ 1,670,548	\$ 2,123,011	\$ 2,076,531
8. Employer Contributions	1,048,494	1,095,684	1,104,259
9. Change in Net OPEB Obligation	622,054	1,027,327	972,272
10. Net OPEB Obligation at beginning of year	1,446,786	2,068,840	3,096,167
11. Net OPEB Obligation at end of year	\$ 2,068,840	\$ 3,096,167	\$ 4,068,439

The net OPEB obligation of \$4,068,439 is included as a non-current liability on the Statement of Net Position. The City's annual OPEB cost, the percentage of OPEB costs contributed to the plan, and the net OPEB obligation for 2012, 2011 and 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Contributions as a Percentage of Annual OPEB Cost	Net OPEB Obligation
December 31, 2012	\$ 2,076,531	53%	\$ 4,068,439
December 31, 2011	2,123,011	52%	3,096,167
December 31, 2010	1,670,548	63%	2,068,840

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$26.4 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$26.4 million. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 4.0% discount rate, which is based upon the long-term investment yield on the

investments that are expected to be used to finance the payment of benefits. Other significant assumptions are a medical (healthcare) trend rate of 7.8%, dental inflation rate of 5.0% and long term care inflation rate of 4.75%.

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

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

Trust Description

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

Funding Policy

The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute up to \$789.14 per month for non-Medicare enrolled retiree-only coverage, \$1,584.71 for non-Medicare enrolled retiree and spouse coverage, \$1,217.32 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$855.23 for Medicare-enrolled retiree and spouse coverage.

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

NOTE 13 – CONSTRUCTION COMMITMENTS

At December 31, 2012 the City had the following contractual obligations on construction projects:

SCHEDULE OF OUTSTANDING CONSTRUCTION OBLIGATIONS As of December 31, 2012

	<u>Amount Outstanding</u>
Traffic projects	\$ 26,456
Street projects	3,312,467
Utilities projects	3,140,303
Other projects	801,477
Total commitments	<u>\$ 7,280,704</u>

NOTE 14 – CEMETERY ENDOWED CARE FUND

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

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

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

For 2012, of the \$2,986 net appreciation on investments, all was available for expenditures. Amounts that are available for expenditure are reflected as assigned fund balance.

NOTE 15 – JOINT VENTURES / RELATED PARTY

Valley Communications Center

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

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

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

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

The 2012 cost distribution for the five participating cities is as follows:

	Dispatchable Calls	Percent of Total *
Renton	72,004	21.18%
Kent	96,126	28.28%
Auburn	65,612	19.30%
Tukwila	33,645	9.90%
Federal Way	72,547	21.34%
Total	<u>339,934</u>	<u>100.00%</u>

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

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

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

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

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

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

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

Item	Renton	Kent	Auburn	Tukwila	Federal Way	Total
Equity Dec 31, 2011	\$ 4,996,753	\$ 7,052,093	\$ 4,723,727	\$ 2,812,717	\$ 3,258,408	\$ 22,843,698
Current year change	65,681	87,685	59,850	30,690	66,176	310,082
Equity Dec 31, 2012	<u>\$ 5,062,434</u>	<u>\$ 7,139,778</u>	<u>\$ 4,783,577</u>	<u>\$ 2,843,407</u>	<u>\$ 3,324,584</u>	<u>\$ 23,153,780</u>
% of equity	21.86%	30.84%	20.66%	12.28%	14.36%	
% of 2012 distribution	21.18%	28.28%	19.30%	9.90%	21.34%	

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

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

South Correctional Entity (SCORE)

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the “Original Interlocal Agreement”) was entered into by seven participating municipal governments, the “Member Cities” of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the “Interlocal Cooperation Act” (RCW 39.34). This “Original Interlocal Agreement” was amended and restated October 1, 2009 and named the City of Des Moines as the “Host City” and the remaining Member Cities as “Owner Cities”. This Interlocal agreement is known as the “Formation Interlocal Agreement”. Pursuant to a separate “Host City Agreement” dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Agreement.

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

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

Summary of Debt Service Requirements											
Debt Service Schedule					Debt Service Allocation to Owner Cities						
Year	Principal	Interest	35% BABs Subsidy	Total	Auburn 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%	
2013	\$ 1,915,000	\$ 5,126,998	\$ (1,675,089)	\$ 5,366,909	\$ 1,663,742	\$ 214,676	\$ 966,044	\$ 1,932,087	\$ 161,007	\$ 429,353	
2014	1,950,000	5,066,566	(1,654,975)	5,361,591	1,662,093	214,464	965,086	1,930,173	160,848	428,927	
2015	1,990,000	4,995,069	(1,632,787)	5,352,282	1,659,207	214,091	963,411	1,926,822	160,568	428,183	
2016	2,065,000	4,911,886	(1,632,787)	5,344,099	1,656,671	213,764	961,938	1,923,876	160,323	427,528	
2017	2,145,000	4,820,241	(1,621,980)	5,343,261	1,656,411	213,730	961,787	1,923,574	160,298	427,461	
2018-2022	11,990,000	22,399,915	(7,748,350)	26,641,565	8,258,885	1,065,663	4,795,482	9,590,963	799,247	2,131,325	
2023-2027	14,485,000	18,727,798	(6,710,481)	26,502,317	8,215,718	1,060,093	4,770,417	9,540,834	795,070	2,120,185	
2028-2032	17,725,000	13,590,870	(4,959,695)	26,356,175	8,170,414	1,054,247	4,744,112	9,488,223	790,685	2,108,494	
2033-2037	21,855,000	7,082,263	(2,731,829)	26,205,434	8,123,685	1,048,217	4,716,978	9,433,956	786,163	2,096,435	
2038-2039	10,115,000	676,321	(353,824)	10,437,497	3,235,624	417,500	1,878,749	3,757,499	313,125	835,000	
Totals	\$ 86,235,000	\$ 87,397,927	\$ (30,721,797)	\$ 142,911,130	\$ 44,302,450	\$ 5,716,445	\$ 25,724,004	\$ 51,448,007	\$ 4,287,334	\$ 11,432,891	

The City of Auburn reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The following is condensed (unaudited) financial information as of December 31, 2012 related to SCORE:

South Correctional Entity (SCORE)				
2012 Owner Cities Equity Allocation				
Member City	Percent of Equity	2011 Equity Balance	2012 Distribution	2012 Equity Balance
Auburn	31.00%	\$ 3,189,320	\$ (1,820,461)	\$ 1,368,859
Burien	4.00%	411,525	(234,898)	176,627
Federal Way	18.00%	1,851,863	(1,057,043)	794,820
Renton	36.00%	3,703,728	(2,114,084)	1,589,644
SeaTac	3.00%	308,643	(176,174)	132,469
Tukwila	8.00%	823,050	(469,796)	353,254
Grand Totals	100.00%	\$ 10,288,129	\$ (5,872,456)	\$ 4,415,673

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

Since the obligation to fund future joint venture-related debt is separately reported as due to other governments, the investment in joint ventures is reported as a combination of this debt with the current reported equity in joint ventures as follows:

Investment in Joint Ventures

	Balance 12/31/2011	Additions	Reductions	Balance 12/31/2012
Valley Communication Public Dev Auth	\$ 848,000	\$ -	\$ (201,000)	\$ 647,000
SCORE Public Development Authority	26,732,850	-	-	26,732,850
Due to Other Governments	27,580,850	-	(201,000)	27,379,850
Valley Communications Center	4,723,727	59,850	-	4,783,577
South Correctional Entity (SCORE)	3,189,320	-	(1,820,461)	1,368,859
Equity Share	7,913,047	59,850	(1,820,461)	6,152,436
Total Investment in Joint Ventures				<u>\$ 33,532,286</u>

NOTE 16 – JOINTLY GOVERNED ORGANIZATION / RELATED PARTY

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

In accordance with the interlocal agreement at time of formation, each member city retained its obligation for LEOFF 1 firefighter and Fire Relief and Pension Plan obligations. During 2012 Auburn paid \$38,454 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 2012 were \$238,999. Medical premiums and benefit payments made under the Fire Relief and Pension Plan for 2012 were \$168,704.

NOTE 17 – CONTINGENCIES AND LITIGATION

As of December 31, 2012, a number of claims were pending against the City for damages and legal actions. While the outcome of these actions is uncertain, no losses are clearly anticipated at this time due to these pending claims. In the event of a liability finding against the City, it is anticipated that any potential adverse judgment against the City also would be subject to coverage under the City's comprehensive liability insurance, including public officials' errors and omission insurance and general liability insurance.

NOTE 18 – RISK MANAGEMENT & INSURANCE

Risk Management

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 153 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 \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal agreement, 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.

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

On March 14, 2013, the City of Auburn issued approximately \$11,415,000 in Utility System Revenue Bonds. The bonds will be used for improvements in the City's utility system.

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

Firefighter's Pension Fund
January 1, 2013

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities - Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2001	\$ 3,632	\$ 2,332	\$ (1,300)	155.75%	\$ 58	(2241%)
January 1, 2003	3,514	2,428	(1,086)	144.73%	61	(1780%)
January 1, 2005	3,160	2,172	(988)	145.00%	64	(1544%)
January 1, 2007	2,868	2,802	(66)	102.00%	-	N/A
January 1, 2009	2,941	1,878	(1,063)	157.00%	-	N/A
January 1, 2011	2,780	3,052	272	91.00%	-	N/A
January 1, 2013	2,552	3,387	835	75.00%	-	N/A

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

Retiree Medical and Long-Term Care Benefits
For LEOFF 1 Employees
January 1, 2011

GASB STATEMENTS No. 43 and No. 45 SCHEDULE OF FUNDING PROGRESS
(rounded to thousands)

Actuarial 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	-	\$ 20,738	\$ 20,738	0%	N/A	N/A
January 1, 2011	-	26,482	26,482	0%	N/A	N/A



NON-MAJOR GOVERNMENTAL FUNDS

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Project Funds

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

Permanent Funds

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

City of Auburn, Washington
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2012

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 7,834,755	\$ 96,594	\$ 731,392	\$ 1,585,916	\$ 10,248,657
Receivables:					
Other Receivables	288,030	-	-	-	288,030
Special Assessments	-	537,476	-	-	537,476
Due From Other Governmental Units	76,990	-	591,244	-	668,234
Total Assets	<u>\$ 8,199,775</u>	<u>\$ 634,070</u>	<u>\$ 1,322,636</u>	<u>\$ 1,585,916</u>	<u>\$ 11,742,397</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Current Payables	\$ 664,507	\$ -	\$ 285,545	\$ -	\$ 950,052
Unearned Revenue	-	537,476	-	-	537,476
Total Liabilities	<u>664,507</u>	<u>537,476</u>	<u>285,545</u>	<u>-</u>	<u>1,487,528</u>
Fund Balances:					
Nonspendable	-	-	-	1,475,580	1,475,580
Restricted	4,041,664	50,439	931,969	-	5,024,072
Committed	3,258,257	-	-	-	3,258,257
Assigned	235,347	46,155	105,122	110,336	496,960
Total Fund Balances	<u>7,535,268</u>	<u>96,594</u>	<u>1,037,091</u>	<u>1,585,916</u>	<u>10,254,869</u>
Total Liabilities and Fund Balances	<u>\$ 8,199,775</u>	<u>\$ 634,070</u>	<u>\$ 1,322,636</u>	<u>\$ 1,585,916</u>	<u>\$ 11,742,397</u>

City of Auburn, Washington
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENT FUNDS
For the Year Ended December 31, 2012

	Total Nonmajor Special Revenue	Total Nonmajor Debt Service	Total Nonmajor Capital Projects	Total Nonmajor Permanent	Total Nonmajor Governmental
REVENUES:					
Taxes:					
Property	\$ 2,000,000	\$ -	\$ 121,148	\$ -	\$ 2,121,148
Retail Sales & Use	-	269,243	-	-	269,243
Interfund Utility	468,831	-	-	-	468,831
Utility	1,378,463	-	-	-	1,378,463
Excise	78,143	-	-	-	78,143
Other	56,734	-	-	-	56,734
Intergovernmental	527,153	537,437	1,342,956	-	2,407,546
Charges for Services	1,465,461	-	11,064	48,660	1,525,185
Special Assessments	-	39,115	-	-	39,115
Investment Earnings	15,465	31,082	2,566	2,986	52,099
Miscellaneous	65,590	-	62,435	-	128,025
Total Revenues	<u>6,055,840</u>	<u>876,877</u>	<u>1,540,169</u>	<u>51,646</u>	<u>8,524,532</u>
EXPENDITURES:					
Current:					
Security of Persons & Property	255,131	-	-	-	255,131
Transportation	3,878,486	-	-	-	3,878,486
Economic Environment	610,734	-	-	-	610,734
Cultural and Recreation	-	-	57	-	57
Debt Service					
Principal	-	940,075	-	-	940,075
Interest	-	1,702,151	-	-	1,702,151
Capital Outlay	-	-	3,166,098	-	3,166,098
Total Expenditures	<u>4,744,351</u>	<u>2,642,226</u>	<u>3,166,155</u>	<u>-</u>	<u>10,552,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,311,489</u>	<u>(1,765,349)</u>	<u>(1,625,986)</u>	<u>51,646</u>	<u>(2,028,200)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Note 5)	150,000	1,771,314	32,626	-	1,953,940
Transfers Out (Note 5)	<u>(2,180,490)</u>	<u>(10,000)</u>	<u>-</u>	<u>(22,300)</u>	<u>(2,212,790)</u>
Total Other Financing Sources (Uses)	<u>(2,030,490)</u>	<u>1,761,314</u>	<u>32,626</u>	<u>(22,300)</u>	<u>(258,850)</u>
Net Change in Fund Balances	<u>(719,001)</u>	<u>(4,035)</u>	<u>(1,593,360)</u>	<u>29,346</u>	<u>(2,287,050)</u>
Fund Balances - Beginning	<u>8,254,269</u>	<u>100,629</u>	<u>2,630,451</u>	<u>1,556,570</u>	<u>12,541,919</u>
Fund Balances - Ending	<u>\$ 7,535,268</u>	<u>\$ 96,594</u>	<u>\$ 1,037,091</u>	<u>\$ 1,585,916</u>	<u>\$ 10,254,869</u>



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The Local Street Fund

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

Hotel/Motel Tax Fund

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

Arterial Street Preservation Fund

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

Drug Forfeiture Fund

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

The Housing and Community Development Fund

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

The Recreational Trails Fund

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

The Business Improvement Area Fund

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

Mitigation Fees

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

City of Auburn, Washington
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2012

Page 1 of 2

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Housing Community Development
ASSETS:					
Cash and Cash Equivalents	\$ 1,777,950	\$ 110,600	\$ 1,405,575	\$ 857,653	\$ 37,519
Receivables:					
Other Receivables	-	-	288,030	-	-
Due From Other Governmental Units	-	-	-	19,665	57,325
Total Assets	<u>\$ 1,777,950</u>	<u>\$ 110,600</u>	<u>\$ 1,693,605</u>	<u>\$ 877,318</u>	<u>\$ 94,844</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Current Payables	\$ 42,467	\$ 687	\$ 13,304	\$ 19,244	\$ 51,432
Total Liabilities	<u>42,467</u>	<u>687</u>	<u>13,304</u>	<u>19,244</u>	<u>51,432</u>
Fund Balances:					
Restricted	-	109,913	-	856,402	43,397
Committed	1,581,264	-	1,676,993	-	-
Assigned	154,219	-	3,308	1,672	15
Total Fund Balances	<u>1,735,483</u>	<u>109,913</u>	<u>1,680,301</u>	<u>858,074</u>	<u>43,412</u>
Total Liabilities and Fund Balances	<u>\$ 1,777,950</u>	<u>\$ 110,600</u>	<u>\$ 1,693,605</u>	<u>\$ 877,318</u>	<u>\$ 94,844</u>

Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ 22,450	\$ 24,456	\$ 3,598,552	\$ 7,834,755
-	-	-	288,030
-	-	-	76,990
<u>\$ 22,450</u>	<u>\$ 24,456</u>	<u>\$ 3,598,552</u>	<u>\$ 8,199,775</u>
\$ -	\$ -	\$ 537,373	\$ 664,507
-	-	537,373	664,507
22,421	24,403	2,985,128	4,041,664
-	-	-	3,258,257
29	53	76,051	235,347
<u>22,450</u>	<u>24,456</u>	<u>3,061,179</u>	<u>7,535,268</u>
<u>\$ 22,450</u>	<u>\$ 24,456</u>	<u>\$ 3,598,552</u>	<u>\$ 8,199,775</u>

City of Auburn, Washington
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
 For the Year Ended December 31, 2012

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Housing Community Development
REVENUES:					
Taxes:					
Property	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Interfund Utility	-	-	468,831	-	-
Utility	-	-	1,378,463	-	-
Excise	-	78,143	-	-	-
Other	-	-	-	-	-
Intergovernmental	-	-	-	47,324	472,729
Charges for Services	-	17,915	-	-	-
Investment Earnings	4,219	198	3,308	1,672	15
Miscellaneous	-	-	-	65,590	-
Total Revenues	<u>2,004,219</u>	<u>96,256</u>	<u>1,850,602</u>	<u>114,586</u>	<u>472,744</u>
EXPENDITURES:					
Current:					
Security of Persons & Property	-	-	-	205,131	-
Transportation	2,403,816	-	1,474,670	-	-
Economic Environment	-	84,075	-	-	472,729
Total Expenditures	<u>2,403,816</u>	<u>84,075</u>	<u>1,474,670</u>	<u>205,131</u>	<u>472,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(399,597)</u>	<u>12,181</u>	<u>375,932</u>	<u>(90,545)</u>	<u>15</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Note 5)	150,000	-	-	-	-
Transfers Out (Note 5)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(249,597)</u>	<u>12,181</u>	<u>375,932</u>	<u>(90,545)</u>	<u>15</u>
Fund Balances - Beginning	<u>1,985,080</u>	<u>97,732</u>	<u>1,304,369</u>	<u>948,619</u>	<u>43,397</u>
Fund Balances - Ending	<u>\$ 1,735,483</u>	<u>\$ 109,913</u>	<u>\$ 1,680,301</u>	<u>\$ 858,074</u>	<u>\$ 43,412</u>

Page 2 of 2

Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 2,000,000
-	-	-	468,831
-	-	-	1,378,463
-	-	-	78,143
-	56,734	-	56,734
7,100	-	-	527,153
-	-	1,447,546	1,465,461
29	53	5,971	15,465
-	-	-	65,590
<u>7,129</u>	<u>56,787</u>	<u>1,453,517</u>	<u>6,055,840</u>
-	-	50,000	255,131
-	-	-	3,878,486
-	53,930	-	610,734
-	<u>53,930</u>	<u>50,000</u>	<u>4,744,351</u>
<u>7,129</u>	<u>2,857</u>	<u>1,403,517</u>	<u>1,311,489</u>
-	-	-	150,000
-	-	(2,180,490)	(2,180,490)
-	-	(2,180,490)	(2,030,490)
<u>7,129</u>	<u>2,857</u>	<u>(776,973)</u>	<u>(719,001)</u>
<u>15,321</u>	<u>21,599</u>	<u>3,838,152</u>	<u>8,254,269</u>
<u>\$ 22,450</u>	<u>\$ 24,456</u>	<u>\$ 3,061,179</u>	<u>\$ 7,535,268</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL STREETS SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Property	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -
Investment Earnings	5,000	5,000	4,219	(781)
Total Revenues	<u>2,005,000</u>	<u>2,005,000</u>	<u>2,004,219</u>	<u>(781)</u>
EXPENDITURES:				
Transportation	<u>2,000,000</u>	<u>3,021,110</u>	<u>2,403,816</u>	<u>617,294</u>
Total Expenditures	<u>2,000,000</u>	<u>3,021,110</u>	<u>2,403,816</u>	<u>617,294</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,000</u>	<u>(1,016,110)</u>	<u>(399,597)</u>	<u>616,513</u>
OTHER FINANCING SOURCES (USES):				
Transfers In (Note 5)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balances	<u>155,000</u>	<u>(866,110)</u>	<u>(249,597)</u>	<u>616,513</u>
Fund Balances - Beginning	<u>1,095,806</u>	<u>1,985,080</u>	<u>1,985,080</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,250,806</u>	<u>\$ 1,118,970</u>	<u>\$ 1,735,483</u>	<u>\$ 616,513</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Excise	\$ 70,000	\$ 70,000	\$ 78,143	\$ 8,143
Charges for Services	9,100	9,100	17,915	8,815
Investment Earnings	300	300	198	(102)
Total Revenues	<u>79,400</u>	<u>79,400</u>	<u>96,256</u>	<u>16,856</u>
EXPENDITURES:				
Economic Environment	85,000	85,000	84,075	925
Total Expenditures	<u>85,000</u>	<u>85,000</u>	<u>84,075</u>	<u>925</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,600)</u>	<u>(5,600)</u>	<u>12,181</u>	<u>17,781</u>
Net Change in fund Balances	<u>(5,600)</u>	<u>(5,600)</u>	<u>12,181</u>	<u>17,781</u>
Fund Balances - Beginning	<u>15,726</u>	<u>97,732</u>	<u>97,732</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 10,126</u>	<u>\$ 92,132</u>	<u>\$ 109,913</u>	<u>\$ 17,781</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ARTERIAL STREET PRESERVATION SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Interfund Utility	\$ 400,200	\$ 400,200	\$ 468,831	\$ 68,631
Utility	1,099,800	1,099,800	1,378,463	278,663
Investment Earnings	1,500	1,500	3,308	1,808
Total Revenues	<u>1,501,500</u>	<u>1,501,500</u>	<u>1,850,602</u>	<u>349,102</u>
EXPENDITURES:				
Transportation	<u>1,500,000</u>	<u>1,751,500</u>	<u>1,474,670</u>	<u>276,830</u>
Total Expenditures	<u>1,500,000</u>	<u>1,751,500</u>	<u>1,474,670</u>	<u>276,830</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,500</u>	<u>(250,000)</u>	<u>375,932</u>	<u>625,932</u>
Net Change in Fund Balances	<u>1,500</u>	<u>(250,000)</u>	<u>375,932</u>	<u>625,932</u>
Fund Balances - Beginning	<u>35,089</u>	<u>1,304,369</u>	<u>1,304,369</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 36,589</u>	<u>\$ 1,054,369</u>	<u>\$ 1,680,301</u>	<u>\$ 625,932</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG FORFEITURE SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Intergovernmental	\$ 46,100	\$ 46,100	\$ 47,324	\$ 1,224
Investment Earnings	2,600	2,600	1,672	(928)
Miscellaneous	250,000	250,000	65,590	(184,410)
Total Revenues	<u>298,700</u>	<u>298,700</u>	<u>114,586</u>	<u>(184,114)</u>
EXPENDITURES:				
Security of Persons & Property	<u>298,230</u>	<u>328,230</u>	<u>205,131</u>	<u>123,099</u>
Total Expenditures	<u>298,230</u>	<u>328,230</u>	<u>205,131</u>	<u>123,099</u>
Excess (Deficiency of Revenues Over (Under) Expenditures	<u>470</u>	<u>(29,530)</u>	<u>(90,545)</u>	<u>(61,015)</u>
Net Change in Fund Balances	<u>470</u>	<u>(29,530)</u>	<u>(90,545)</u>	<u>(61,015)</u>
Fund Balances - Beginning	<u>513,237</u>	<u>948,619</u>	<u>948,619</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 513,707</u>	<u>\$ 919,089</u>	<u>\$ 858,074</u>	<u>\$ (61,015)</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING & COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Intergovernmental	\$ 450,000	\$ 480,500	\$ 472,729	\$ (7,771)
Investment Earnings	-	-	15	15
Total Revenues	<u>450,000</u>	<u>480,500</u>	<u>472,744</u>	<u>(7,756)</u>
EXPENDITURES:				
Economic Environment	439,220	480,250	472,729	7,521
Total Expenditures	<u>439,220</u>	<u>480,250</u>	<u>472,729</u>	<u>7,521</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,780</u>	<u>250</u>	<u>15</u>	<u>(235)</u>
Net Change in Fund Balances	<u>10,780</u>	<u>250</u>	<u>15</u>	<u>(235)</u>
Fund Balances - Beginning	<u>66,876</u>	<u>43,397</u>	<u>43,397</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 77,656</u>	<u>\$ 43,647</u>	<u>\$ 43,412</u>	<u>\$ (235)</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RECREATION TRAILS SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Intergovernmental	\$ -	\$ 7,100	\$ 7,100	\$ -
Investment Earnings	100	100	29	(71)
Total Revenues	<u>100</u>	<u>7,200</u>	<u>7,129</u>	<u>(71)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100</u>	<u>7,200</u>	<u>7,129</u>	<u>(71)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In (Note 5)	7,100	-	-	-
Total Other Financing Sources (Uses)	<u>7,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>7,200</u>	<u>7,200</u>	<u>7,129</u>	<u>(71)</u>
Fund Balances - Beginning	<u>15,377</u>	<u>15,321</u>	<u>15,321</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 22,577</u>	<u>\$ 22,521</u>	<u>\$ 22,450</u>	<u>\$ (71)</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUSINESS IMPROVEMENT AREA SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Other	\$ 54,000	\$ 54,000	\$ 56,734	\$ 2,734
Investment Earnings	100	100	53	(47)
Total Revenues	<u>54,100</u>	<u>54,100</u>	<u>56,787</u>	<u>2,687</u>
EXPENDITURES:				
Economic Environment	54,000	54,000	53,930	70
Total Expenditures	<u>54,000</u>	<u>54,000</u>	<u>53,930</u>	<u>70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100</u>	<u>100</u>	<u>2,857</u>	<u>2,757</u>
Net Change in Fund Balances	<u>100</u>	<u>100</u>	<u>2,857</u>	<u>2,757</u>
Fund Balances - Beginning	43,496	21,599	21,599	-
Fund Balances - Ending	<u>\$ 43,596</u>	<u>\$ 21,699</u>	<u>\$ 24,456</u>	<u>\$ 2,757</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CUMULATIVE RESERVE SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Investment Earnings	\$ 24,000	\$ 24,000	\$ 15,533	\$ (8,467)
Total Revenues	<u>24,000</u>	<u>24,000</u>	<u>15,533</u>	<u>(8,467)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,000</u>	<u>24,000</u>	<u>15,533</u>	<u>(8,467)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In (Note 5)	-	2,500,000	2,500,000	-
Transfers Out (Note 5)	-	(226,520)	(200,000)	26,520
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,273,480</u>	<u>2,300,000</u>	<u>26,520</u>
Net Change in Fund Balances	<u>24,000</u>	<u>2,297,480</u>	<u>2,315,533</u>	<u>18,053</u>
Fund Balances - Beginning	<u>5,601,564</u>	<u>5,037,425</u>	<u>5,037,425</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 5,625,564</u>	<u>\$ 7,334,905</u>	<u>\$ 7,352,958</u>	<u>\$ 18,053</u>

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

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

(7,352,958)

Fund Balance - Ending (GAAP)

\$ -

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MITIGATION SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Charges for Services	\$ 880,000	\$ 880,000	\$ 1,447,546	\$ 567,546
Investment Earnings	22,000	22,000	5,971	(16,029)
Total Revenues	<u>902,000</u>	<u>902,000</u>	<u>1,453,517</u>	<u>551,517</u>
EXPENDITURES:				
Security of Person & Property	50,000	50,000	50,000	-
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>852,000</u>	<u>852,000</u>	<u>1,403,517</u>	<u>551,517</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out (Note 5)	(1,070,700)	(2,404,340)	(2,180,490)	223,850
Total Other Financing Sources (Uses)	<u>(1,070,700)</u>	<u>(2,404,340)</u>	<u>(2,180,490)</u>	<u>223,850</u>
Net Change in Fund Balances	<u>(218,700)</u>	<u>(1,552,340)</u>	<u>(776,973)</u>	<u>775,367</u>
Fund Balances - Beginning	<u>1,665,773</u>	<u>3,838,152</u>	<u>3,838,152</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,447,073</u>	<u>\$ 2,285,812</u>	<u>\$ 3,061,179</u>	<u>\$ 775,367</u>

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

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

The 2010 A Series General Obligation Bonds (refunding portion)

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

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

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

The 2010 C Series and 2010 D Series General Obligation Bonds

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

The L.I.D. Guarantee Fund

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

Special Assessment Debt Fund

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

City of Auburn, Washington
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
 December 31, 2012

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	LID Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
ASSETS:						
Cash and Cash Equivalents	\$ 46,155	\$ -	\$ -	\$ 44,471	\$ 5,968	\$ 96,594
Receivables:						
Special Assessments	-	-	-	-	537,476	537,476
Total Assets	<u>\$ 46,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,471</u>	<u>\$ 543,444</u>	<u>\$ 634,070</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Unearned Revenue	\$ -	\$ -	\$ -	\$ -	\$ 537,476	\$ 537,476
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,476</u>	<u>537,476</u>
Fund Balances:						
Restricted	-	-	-	44,471	5,968	50,439
Assigned	46,155	-	-	-	-	46,155
Total Fund Balances	<u>46,155</u>	<u>-</u>	<u>-</u>	<u>44,471</u>	<u>5,968</u>	<u>96,594</u>
Total Liabilities and Fund Balances	<u>\$ 46,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,471</u>	<u>\$ 543,444</u>	<u>\$ 634,070</u>

City of Auburn, Washington
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR DEBT SERVICE FUNDS
For the Year Ended December 31, 2012

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	L I D Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
REVENUES:						
Taxes:						
Retail Sales & Use	\$ -	\$ -	\$ 269,243	\$ -	\$ -	\$ 269,243
Special Assessments	-	-	-	-	39,115	39,115
Intergovernmental	-	406,321	131,116	-	-	537,437
Investment Earnings	401	-	181	84	30,416	31,082
Total Revenues	<u>401</u>	<u>406,321</u>	<u>400,540</u>	<u>84</u>	<u>69,531</u>	<u>876,877</u>
EXPENDITURES:						
Debt Service						
Principal	220,000	485,000	200,000	-	35,075	940,075
Interest	66,900	1,211,066	395,367	-	28,818	1,702,151
Total Expenditures	<u>286,900</u>	<u>1,696,066</u>	<u>595,367</u>	<u>-</u>	<u>63,893</u>	<u>2,642,226</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(286,499)</u>	<u>(1,289,745)</u>	<u>(194,827)</u>	<u>84</u>	<u>5,638</u>	<u>(1,765,349)</u>
OTHER FINANCING SOURCES (USES):						
Transfers In (Note 5)	286,900	1,289,587	194,827	-	-	1,771,314
Transfers Out (Note 5)	-	-	-	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	<u>286,900</u>	<u>1,289,587</u>	<u>194,827</u>	<u>(10,000)</u>	<u>-</u>	<u>1,761,314</u>
Net Change in Fund Balances	<u>401</u>	<u>(158)</u>	<u>-</u>	<u>(9,916)</u>	<u>5,638</u>	<u>(4,035)</u>
Fund Balances - Beginning	<u>45,754</u>	<u>158</u>	<u>-</u>	<u>54,387</u>	<u>330</u>	<u>100,629</u>
Fund Balances - Ending	<u>\$ 46,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,471</u>	<u>\$ 5,968</u>	<u>\$ 96,594</u>



NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

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

The Municipal Park Construction Fund

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

The Local Revitalization Fund

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

City of Auburn, Washington
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND
December 31, 2012

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
ASSETS:			
Cash and Cash Equivalents	\$ 184,488	\$ 546,904	\$ 731,392
Due From Other Governmental Units	518,337	72,907	591,244
Total Assets	<u>\$ 702,825</u>	<u>\$ 619,811</u>	<u>\$ 1,322,636</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Payables	\$ 272,710	\$ 12,835	\$ 285,545
Total Liabilities	<u>272,710</u>	<u>12,835</u>	<u>285,545</u>
Fund Balances:			
Restricted	430,115	501,854	931,969
Assigned	-	105,122	105,122
Total Fund Balances	<u>430,115</u>	<u>606,976</u>	<u>1,037,091</u>
Total Liabilities and Fund Balances	<u>\$ 702,825</u>	<u>\$ 619,811</u>	<u>\$ 1,322,636</u>

City of Auburn, Washington
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND

For the Year Ended December 31, 2012

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
REVENUES:			
Taxes:			
Property	\$ 121,148	\$ -	\$ 121,148
Intergovernmental	901,174	441,782	1,342,956
Charges for Services	11,064	-	11,064
Investment Earnings	1,091	1,475	2,566
Miscellaneous	62,435	-	62,435
Total Revenues	<u>1,096,912</u>	<u>443,257</u>	<u>1,540,169</u>
EXPENDITURES:			
Cultural and Recreation	57	-	57
Capital Outlay	1,484,133	1,681,965	3,166,098
Total Expenditures	<u>1,484,190</u>	<u>1,681,965</u>	<u>3,166,155</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(387,278)</u>	<u>(1,238,708)</u>	<u>(1,625,986)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In (Note 5)	32,626	-	32,626
Total Other Financing Sources (Uses)	<u>32,626</u>	<u>-</u>	<u>32,626</u>
Net Change in Fund Balances	<u>(354,652)</u>	<u>(1,238,708)</u>	<u>(1,593,360)</u>
Fund Balances - Beginning	<u>784,767</u>	<u>1,845,684</u>	<u>2,630,451</u>
Fund Balances - Ending	<u>\$ 430,115</u>	<u>\$ 606,976</u>	<u>\$ 1,037,091</u>



NON-MAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

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

The Cemetery Endowed Care Fund

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

City of Auburn, Washington
BALANCE SHEET
PERMANENT FUND
 December 31, 2012

	Cemetery Endowed Care
<hr/>	
ASSETS:	
Cash and Cash Equivalents	
Non-Expendable Trust	\$ 1,585,916
Total Assets	<u>\$ 1,585,916</u>
 FUND BALANCES:	
Nonspendable	\$ 1,475,580
Assigned	<u>110,336</u>
Total Fund Balances	<u>1,585,916</u>
Total Liabilities and Fund Balances	<u>\$ 1,585,916</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PERMANENT FUND
 For the Year Ended December 31, 2012

		Cemetery Endowed Care
<hr/>		
REVENUES:		
Increase to Endowment from Lot Sales	\$	48,660
Investment Earnings		2,986
Total Revenues		<u>51,646</u>
EXPENDITURES:		
Total Expenditures		<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>51,646</u>
OTHER FINANCING SOURCES (USES):		
Transfers Out (Note 5)		<u>(22,300)</u>
Total Other Financing Sources (Uses)		<u>(22,300)</u>
Net Change in Fund Balance		<u>29,346</u>
Fund Balance - Beginning		<u>1,556,570</u>
Fund Balance - Ending	\$	<u><u>1,585,916</u></u>



NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

The Airport Fund

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

The Cemetery Fund

Accounts for Mountain View Cemetery's operations.

City of Auburn, Washington
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
December 31, 2012

	Airport	Cemetery	Total Nonmajor Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 930,485	\$ 217,234	\$ 1,147,719
Restricted Cash:			
Customer Deposits	48,120	-	48,120
Due From Other Governmental Units	38,915	-	38,915
Inventories	-	14,084	14,084
Total Current Assets	<u>1,017,520</u>	<u>231,318</u>	<u>1,248,838</u>
Noncurrent Assets:			
Capital Assets:			
Land	3,653,343	342,836	3,996,179
Buildings and Equipments	2,643,397	1,022,267	3,665,664
Improvements Other Than Buildings	8,575,896	1,143,417	9,719,313
Construction in Progress	40,048	-	40,048
Less: Accumulated Depreciation	<u>(5,404,043)</u>	<u>(1,305,704)</u>	<u>(6,709,747)</u>
Total Capital Assets (Net of A/D)	<u>9,508,641</u>	<u>1,202,816</u>	<u>10,711,457</u>
Total Noncurrent Assets	<u>9,508,641</u>	<u>1,202,816</u>	<u>10,711,457</u>
Total Assets	<u>10,526,161</u>	<u>1,434,134</u>	<u>11,960,295</u>
LIABILITIES:			
Current Liabilities:			
Current Payables	35,488	49,220	84,708
Employee Leave Benefits - Current	1,851	11,820	13,671
General Obligation Bonds Payable - Current	115,000	-	115,000
Customer Deposits	48,120	-	48,120
Total Current Liabilities	<u>200,459</u>	<u>61,040</u>	<u>261,499</u>
Noncurrent Liabilities:			
Employee Leave Benefits	642	4,101	4,743
General Obligation Bonds Payable	<u>885,797</u>	<u>496,890</u>	<u>1,382,687</u>
Total Noncurrent Liabilities	<u>886,439</u>	<u>500,991</u>	<u>1,387,430</u>
Total Liabilities	<u>1,086,898</u>	<u>562,031</u>	<u>1,648,929</u>
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	8,507,844	705,926	9,213,770
Unrestricted	<u>931,419</u>	<u>166,177</u>	<u>1,097,596</u>
Total Net Position	<u>\$ 9,439,263</u>	<u>\$ 872,103</u>	<u>\$ 10,311,366</u>

City of Auburn, Washington
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2012

	Airport	Cemetery	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 25,823	\$ 825,161	\$ 850,984
Interest	-	607	607
Other Operating Revenue	571,865	-	571,865
Total Operating Revenues	<u>597,688</u>	<u>825,768</u>	<u>1,423,456</u>
OPERATING EXPENSES:			
Operations & Maintenance	11,092	626,276	637,368
Administration	481,264	279,077	760,341
Depreciation/Amortization	397,164	67,647	464,811
Other Operating Expenses	171	11,422	11,593
Total Operating Expenses	<u>889,691</u>	<u>984,422</u>	<u>1,874,113</u>
Operating Income (Loss)	<u>(292,003)</u>	<u>(158,654)</u>	<u>(450,657)</u>
NON-OPERATING REVENUE (EXPENSE):			
Interest Revenue	2,123	392	2,515
Other Non-Operating Revenues	56,203	15,179	71,382
Gain (Loss) on Sale of Capital Assets	-	(50)	(50)
Interest Revenue (Expense)	<u>(58,218)</u>	<u>(21,773)</u>	<u>(79,991)</u>
Total Non-Operating Revenue (Expense)	<u>108</u>	<u>(6,252)</u>	<u>(6,144)</u>
Income (Loss) Before Contributions & Transfers	<u>(291,895)</u>	<u>(164,906)</u>	<u>(456,801)</u>
Transfers In (Note 5)	<u>-</u>	<u>222,300</u>	<u>222,300</u>
Change in Net Position	<u>(291,895)</u>	<u>57,394</u>	<u>(234,501)</u>
Total Net Position - Beginning	<u>9,731,158</u>	<u>814,709</u>	<u>10,545,867</u>
Total Net Position - Ending	<u>\$ 9,439,263</u>	<u>\$ 872,103</u>	<u>\$ 10,311,366</u>

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended December 31, 2012

Page 1 of 2

	Airport	Cemetery	Total Non Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received From Users	\$ 581,952	\$ 825,768	\$ 1,407,720
Cash Paid to Suppliers	(446,144)	(270,533)	(716,677)
Cash Paid for Taxes	(171)	(11,422)	(11,593)
Cash Paid for Inventory	-	(3,871)	(3,871)
Cash Paid to Employees	(25,958)	(652,713)	(678,671)
Net Cash Provided (Used) By Operating Activities	<u>109,679</u>	<u>(112,771)</u>	<u>(3,092)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Grant Received	38,915	-	38,915
Other Non-Operating Gain	17,288	-	17,288
Transfers from Other Funds	-	222,300	222,300
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>56,203</u>	<u>222,300</u>	<u>278,503</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(140,966)	-	(140,966)
Capital Grant	(38,915)	-	(38,915)
Principal Payment on Debt	(105,000)	-	(105,000)
Interest Payment on Debt	(50,474)	(22,267)	(72,741)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(335,355)</u>	<u>(22,267)</u>	<u>(357,622)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest Received	<u>2,123</u>	<u>15,571</u>	<u>17,694</u>
Net Cash Provided (Used) in Investing Activities	<u>2,123</u>	<u>15,571</u>	<u>17,694</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(167,350)</u>	<u>102,833</u>	<u>(64,517)</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,145,955</u>	<u>114,401</u>	<u>1,260,356</u>
Cash and Cash Equivalents - End of Year	<u>\$ 978,605</u>	<u>\$ 217,234</u>	<u>\$ 1,195,839</u>
CASH AT END OF YEAR CONSISTS OF:			
Cash and Cash Equivalents	930,485	217,234	1,147,719
Restricted Cash - Customer Deposits	48,120	-	48,120
Total Cash	<u>\$ 978,605</u>	<u>\$ 217,234</u>	<u>\$ 1,195,839</u>

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended December 31, 2012

Page 2 of 2

	Airport	Cemetery	Total Non Major Enterprise Funds
RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (292,003)	\$ (158,654)	\$ (450,657)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	397,164	67,647	464,811
Asset (Increases) Decreases:			
Inventory	-	(3,871)	(3,871)
Liability Increases (Decreases):			
Accounts & Vouchers Payable	20,586	(1,057)	19,529
Deposits Payable	(15,736)	-	(15,736)
Wages & Benefits Payable	17	(2,518)	(2,501)
Compensated Absences Payable	(349)	(14,318)	(14,667)
Total Adjustments	<u>401,682</u>	<u>45,883</u>	<u>447,565</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 109,679</u>	<u>\$ (112,771)</u>	<u>\$ (3,092)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital Assets Acquired by Contributed Capital	-	-	-
Total Non Cash Investing, Capital and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



NON-MAJOR PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

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

The Insurance Fund

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

The Facilities Funds

Accounts for the costs of maintaining various City facilities.

The Information Services Fund

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

The Equipment Rental Fund

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

City of Auburn, Washington
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2012

	Insurance	Facilities	Information Services	Equipment Rental	Total
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 2,028,912	\$ 1,707,878	\$ 3,177,559	\$ 5,572,541	\$ 12,486,890
Customer Accounts	-	52,943	-	-	52,943
Due From Other Governmental Units	-	-	2,024	-	2,024
Inventories	-	-	-	153,207	153,207
Total Current Assets	<u>2,028,912</u>	<u>1,760,821</u>	<u>3,179,583</u>	<u>5,725,748</u>	<u>12,695,064</u>
Capital Assets:					
Buildings and Equipment	-	-	5,099,814	12,077,693	17,177,507
Improvements Other than Buildings	-	-	7,497	65,084	72,581
Less: Accumulated Depreciation	-	-	(3,832,410)	(7,157,053)	(10,989,463)
Total Capital Assets (Net of A/D)	<u>-</u>	<u>-</u>	<u>1,274,901</u>	<u>4,985,724</u>	<u>6,260,625</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>1,274,901</u>	<u>4,985,724</u>	<u>6,260,625</u>
Total Assets	<u>2,028,912</u>	<u>1,760,821</u>	<u>4,454,484</u>	<u>10,711,472</u>	<u>18,955,689</u>
LIABILITIES:					
Current Liabilities:					
Current Payables	231	287,780	294,056	166,182	748,249
Customer Deposits	-	3,225	-	-	3,225
Employee Leave Benefits - Current	-	39,976	67,660	31,456	139,092
Total Current Liabilities	<u>231</u>	<u>330,981</u>	<u>361,716</u>	<u>197,638</u>	<u>890,566</u>
Noncurrent Liabilities					
Employee Leave Benefits	-	13,869	23,474	10,913	48,256
Total Noncurrent Liabilities	<u>-</u>	<u>13,869</u>	<u>23,474</u>	<u>10,913</u>	<u>48,256</u>
Total Liabilities	<u>231</u>	<u>344,850</u>	<u>385,190</u>	<u>208,551</u>	<u>938,822</u>
NET POSITION:					
Invested in Capital Assets, Net of Related Debt	-	-	1,274,901	4,985,724	6,260,625
Unrestricted	<u>2,028,681</u>	<u>1,415,971</u>	<u>2,794,393</u>	<u>5,517,197</u>	<u>11,756,242</u>
Total Net Position	<u>\$ 2,028,681</u>	<u>\$ 1,415,971</u>	<u>\$ 4,069,294</u>	<u>\$ 10,502,921</u>	<u>\$ 18,016,867</u>

City of Auburn, Washington
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Insurance	Facilities	Information Services	Equipment Rental	Total
OPERATING REVENUES:					
Charges for Services	\$ -	\$ 3,437,100	\$ 4,135,104	\$ 2,996,940	\$ 10,569,144
Other Operating Revenue	-	142,348	134,240	-	276,588
Total Operating Revenues	<u>-</u>	<u>3,579,448</u>	<u>4,269,344</u>	<u>2,996,940</u>	<u>10,845,732</u>
OPERATING EXPENSES:					
Operations & Maintenance	-	3,405,814	4,122,233	1,419,330	8,947,377
Administration	159,148	-	-	729,957	889,105
Depreciation/Amortization	-	-	552,388	759,373	1,311,761
Total Operating Expenses	<u>159,148</u>	<u>3,405,814</u>	<u>4,674,621</u>	<u>2,908,660</u>	<u>11,148,243</u>
Operating Income (Loss)	<u>(159,148)</u>	<u>173,634</u>	<u>(405,277)</u>	<u>88,280</u>	<u>(302,511)</u>
NON-OPERATING REVENUE (EXPENSE):					
Interest Revenue	3,149	3,633	5,817	13,265	25,864
Other Non-Operating Revenues	-	13,072	15,171	15,358	43,601
Gain (Loss) on Sale of Capital Assets	-	-	-	29,215	29,215
Total Non-Operating Revenue (Expense)	<u>3,149</u>	<u>16,705</u>	<u>20,988</u>	<u>57,838</u>	<u>98,680</u>
Income (Loss) Before Contributions	<u>(155,999)</u>	<u>190,339</u>	<u>(384,289)</u>	<u>146,118</u>	<u>(203,831)</u>
Capital Contributions	-	-	3,230	127,714	130,944
Transfers In (Note 5)	-	300,000	100,170	100,170	500,340
Transfers Out (Note 5)	-	(644,787)	-	(7,000)	(651,787)
Change in Net Position	<u>(155,999)</u>	<u>(154,448)</u>	<u>(280,889)</u>	<u>367,002</u>	<u>(224,334)</u>
Total Net Position - Beginning	<u>2,184,680</u>	<u>1,570,419</u>	<u>4,350,183</u>	<u>10,135,919</u>	<u>18,241,201</u>
Total Net Position - Ending	<u>\$ 2,028,681</u>	<u>\$ 1,415,971</u>	<u>\$ 4,069,294</u>	<u>\$ 10,502,921</u>	<u>\$ 18,016,867</u>

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended December 31, 2012

Page 1 of 2

	Insurance	Facilities	Information Services	Equipment Rental	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received From Users	\$ -	\$ 3,571,751	\$ 4,378,405	\$ 2,996,940	\$ 10,947,096
Cash Paid to Suppliers	(156,078)	(2,523,563)	(2,312,598)	(1,567,614)	(6,559,853)
Cash Paid for Taxes	(3,146)	-	-	-	(3,146)
Cash Paid for Inventory	-	-	-	(35,178)	(35,178)
Cash Paid to Employees	-	(930,692)	(1,847,971)	(598,591)	(3,377,254)
Net Cash Provided (Used) By Operating Activities	<u>(159,224)</u>	<u>117,496</u>	<u>217,836</u>	<u>795,557</u>	<u>971,665</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating Grant Received	-	13,072	-	1,713	14,785
Other Non-Operating Gain	-	-	-	3,275	3,275
Transfers In	-	300,000	100,170	100,170	500,340
Transfers Out	-	(644,787)	-	(7,000)	(651,787)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>(331,715)</u>	<u>100,170</u>	<u>98,158</u>	<u>(133,387)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Sale of Equipment	-	-	-	208,038	208,038
Purchase of Capital Assets	-	-	(508,567)	(1,406,375)	(1,914,942)
Proceeds from Other Governments	-	-	15,171	-	15,171
Proceeds from Insurance Settlement	-	-	-	10,370	10,370
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(493,396)</u>	<u>(1,187,967)</u>	<u>(1,681,363)</u>
CASH FLOW FROM INVESTING ACTIVITIES:					
Proceeds from Sale of Investments	-	-	-	2,006,120	2,006,120
Interest Received	3,149	3,633	5,817	14,904	27,503
Net Cash Provided (Used) in Investing Activities	<u>3,149</u>	<u>3,633</u>	<u>5,817</u>	<u>2,021,024</u>	<u>2,033,623</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(156,075)</u>	<u>(210,586)</u>	<u>(169,573)</u>	<u>1,726,772</u>	<u>1,190,538</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,184,987</u>	<u>1,918,464</u>	<u>3,347,132</u>	<u>3,845,769</u>	<u>11,296,352</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,028,912</u>	<u>\$ 1,707,878</u>	<u>\$ 3,177,559</u>	<u>\$ 5,572,541</u>	<u>\$ 12,486,890</u>
CASH AT END OF YEAR CONSISTS OF:					
Cash and Cash Equivalents	<u>2,028,912</u>	<u>1,707,878</u>	<u>3,177,559</u>	<u>5,572,541</u>	<u>12,486,890</u>
Total Cash	<u>\$ 2,028,912</u>	<u>\$ 1,707,878</u>	<u>\$ 3,177,559</u>	<u>\$ 5,572,541</u>	<u>\$ 12,486,890</u>

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended December 31, 2012

Page 2 of 2

	Insurance	Facilities	Information Services	Equipment Rental	Total
RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (159,148)	\$ 173,634	\$ (405,277)	\$ 88,280	\$ (302,511)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation	-	-	552,388	759,373	1,311,761
Asset (Increases) Decreases:					
Accounts Receivable	-	(7,697)	109,061	-	101,364
Inventory	-	-	-	(35,178)	(35,178)
Liability Increases (Decreases):					
Accounts & Vouchers Payable	(76)	(53,061)	(49,049)	(16,075)	(118,261)
Wages & Benefits Payable	-	(420)	3,575	3,868	7,023
Compensated Absences Payable	-	5,040	7,138	(4,711)	7,467
Total Adjustments	<u>(76)</u>	<u>(56,138)</u>	<u>623,113</u>	<u>707,277</u>	<u>1,274,176</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (159,224)</u>	<u>\$ 117,496</u>	<u>\$ 217,836</u>	<u>\$ 795,557</u>	<u>\$ 971,665</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Capital Assets Acquired by Contributed Capital Increase (Decrease)	-	-	3,230	127,714	130,944
Total Non Cash Investing, Capital and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,230</u>	<u>\$ 127,714</u>	<u>\$ 130,944</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, 2012

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
ASSETS:				
Cash and Cash Equivalents	\$ 1,448,369	\$ 2,905,167	\$ 3,121,787	\$ 1,231,749
Other Current Assets	26,022	82,352	107,320	1,054
Total Assets	<u>\$ 1,474,391</u>	<u>\$ 2,987,519</u>	<u>\$ 3,229,107</u>	<u>\$ 1,232,803</u>
LIABILITIES:				
Due to Other Government Units	1,474,391	4,336,494	4,578,082	1,232,803
Total Liabilities	<u>\$ 1,474,391</u>	<u>\$ 4,336,494</u>	<u>\$ 4,578,082</u>	<u>\$ 1,232,803</u>

City of Auburn
STATISTICAL SECTION
 December 31, 2012

Financial Trends Information

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

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Schedule 2	Changes in net position	147
Schedule 3	Fund balances, government funds	148
Schedule 4	Changes in fund balances, government funds	149
Schedule 5	Tax revenues by source, government funds	150

Revenue Capacity Information

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

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Schedule 8	Property tax levies and collections	154
Schedule 9	Principal taxpayers-property taxes-sales taxes	155
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Debt Capacity Information

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

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Schedule 14	Computation of net direct and estimated overlapping debt	159
Schedule 15	Ratios of net general bonded debt to assessed value.....	160
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Demographic and Economic Information

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

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Operating Information

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

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City of Auburn, Washington
SCHEDULE 1
NET POSITION BY COMPONENTS
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 167,057,262	\$ 171,921,373	\$ 194,121,232	\$ 200,814,063	\$ 212,611,232	\$ 303,564,348	\$ 314,691,982	\$ 320,506,701	\$ 340,941,112	\$ 354,899,294
Restricted	23,384,709	25,615,116	23,442,309	26,839,342	24,519,024	28,965,599	12,741,566	15,180,467	14,230,963	13,164,116
Unrestricted	29,547,005	28,490,736	24,095,336	24,148,157	26,774,107	25,955,501	43,754,879	46,734,364	45,250,090	43,245,050
Total governmental activities net position	<u>219,988,976</u>	<u>226,027,225</u>	<u>241,658,877</u>	<u>251,801,562</u>	<u>263,904,363</u>	<u>358,485,448</u>	<u>371,188,427</u>	<u>382,421,532</u>	<u>400,422,165</u>	<u>411,308,460</u>
Business-type activities:										
Invested in capital assets, net of related debt	104,513,351	106,783,634	115,137,273	125,265,152	130,515,163	144,626,496	150,621,492	152,343,987	166,289,542	173,709,864
Restricted	1,919,515	1,969,809	2,238,611	6,987,485	1,227,395	933,914	2,071,219	4,107,128	4,153,982	4,719,058
Unrestricted	29,489,320	31,849,110	32,513,576	25,693,517	40,655,261	35,859,489	29,546,169	28,642,334	30,523,974	30,439,381
Total business-type activities net position	<u>135,922,186</u>	<u>140,602,553</u>	<u>149,889,460</u>	<u>157,946,154</u>	<u>172,397,819</u>	<u>181,419,899</u>	<u>182,238,880</u>	<u>185,093,449</u>	<u>200,967,498</u>	<u>208,868,303</u>
Primary government:										
Invested in capital assets, net of related debt	271,570,613	278,705,007	309,258,505	326,079,215	343,126,395	448,190,844	465,313,474	472,850,688	507,230,654	528,609,158
Restricted	25,304,224	27,584,925	25,680,920	33,826,827	25,746,419	29,899,513	14,812,785	19,287,595	18,384,945	17,883,174
Unrestricted	59,036,325	60,339,846	56,608,912	49,841,674	67,429,368	61,814,990	73,301,048	75,376,698	75,774,064	73,684,431
Total primary government net position	<u>\$ 355,911,162</u>	<u>\$ 366,629,778</u>	<u>\$ 391,548,337</u>	<u>\$ 409,747,716</u>	<u>\$ 436,302,182</u>	<u>\$ 539,905,347</u>	<u>\$ 553,427,307</u>	<u>\$ 567,514,981</u>	<u>\$ 601,389,663</u>	<u>\$ 620,176,763</u>

Source: City of Auburn, Finance Department

City of Auburn, Washington
SCHEDULE 2
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 5,968,367	\$ 4,235,953	\$ 5,284,440	\$ 6,462,578	\$ 7,196,492	\$ 8,000,715	\$ 7,567,085	\$ 7,934,948	\$ 8,581,829	\$ 9,441,887
Public safety	23,045,701	26,076,348	28,048,087	29,804,864	33,396,630	28,217,844	25,675,063	25,890,627	27,320,805	27,339,301
Transportation	3,071,195	8,239,795	7,956,286	7,619,268	8,077,154	12,974,861	11,471,167	11,989,752	12,123,615	15,736,610
Physical environment	1,845,059	2,415,047	2,209,652	2,418,543	3,269,334	3,096,696	3,327,836	2,498,539	2,327,911	2,535,877
Culture and recreation	5,108,683	4,949,050	5,324,543	5,729,431	6,539,281	6,271,924	7,561,569	7,307,270	7,606,584	8,310,210
Economic environment	1,379,552	2,866,473	1,919,780	1,848,988	2,400,031	2,608,980	3,000,257	2,499,631	3,135,984	2,914,335
Health and human services	639,678	597,423	602,726	763,156	416,456	776,224	527,029	578,247	619,172	633,175
Interest on long-term debt	322,653	362,051	188,945	203,180	163,916	226,651	408,471	1,809,322	1,685,055	2,336,960
Total governmental activities expenses	41,380,888	49,742,140	51,534,459	54,850,008	61,459,294	62,173,895	59,538,478	60,508,335	63,400,955	69,248,355
Business-type activities:										
Water	6,868,291	6,913,709	6,962,997	7,647,935	7,873,191	8,565,231	8,970,215	10,042,879	8,961,736	9,655,724
Sewer	9,949,763	11,207,786	12,044,330	11,878,252	13,974,607	14,479,299	16,569,297	17,794,958	18,852,402	19,680,724
Storm drainage	2,955,179	3,169,350	3,354,899	3,852,335	4,224,881	5,226,823	7,275,072	6,994,381	6,752,021	8,025,729
Solid waste	8,553,801	8,645,372	9,121,727	9,936,222	10,368,901	10,781,426	11,019,606	9,894,429	9,957,943	11,305,322
Gift course	874,809	973,110	1,032,733	1,020,070	1,576,126	1,958,703	1,909,758	1,844,108	1,903,836	1,912,174
Non-major business-type activities	1,730,969	1,624,365	1,593,944	1,618,285	1,735,118	1,720,603	1,666,754	1,781,204	2,010,776	1,954,104
Total business-type activities expenses	30,932,812	32,533,692	34,110,630	35,953,099	39,752,824	42,732,085	47,410,702	48,351,960	48,438,714	52,533,777
Total primary government expenses	\$ 72,313,700	\$ 82,275,832	\$ 85,645,089	\$ 90,803,107	\$ 101,212,118	\$ 104,905,980	\$ 106,949,180	\$ 108,860,294	\$ 111,839,669	\$ 121,782,132
Program revenues										
Governmental activities:										
Charges for services										
General Government	\$ 359,398	\$ 561,013	\$ 663,309	\$ 820,585	\$ 1,126,258	\$ 2,316,125	\$ 814,095	\$ 1,168,574	\$ 1,010,911	\$ 897,521
Public Safety	1,354,900	1,767,687	2,109,284	2,514,867	3,100,973	2,674,777	2,854,530	2,938,942	3,867,013	1,016,191
Transportation	570,100	447,036	1,052,110	631,340	1,930,504	1,272,751	1,587,850	960,532	1,042,147	1,819,851
Physical Environment	237,772	365,681	244,766	436,503	576,539	257,780	147,996	86,306	103,590	36,766
Culture and Recreation	597,300	654,417	726,753	881,318	1,245,122	917,544	1,048,390	962,558	1,182,688	880,380
Economic Environment	2,088,948	3,097,230	3,169,262	2,590,763	2,070,534	1,654,692	1,732,397	2,294,916	2,294,916	2,366,188
Health and human services	-	-	-	-	-	-	989	449	7,528	-
Total charges for services	5,208,418	6,893,064	7,965,484	7,875,376	10,049,930	9,077,556	8,108,542	7,849,758	9,508,793	7,916,897
Operating grants and contributions	1,959,919	2,178,951	2,445,913	2,714,324	2,923,968	2,567,788	3,001,401	3,022,835	1,724,711	3,560,707
Capital grants and contributions	12,336,814	5,192,593	11,162,241	5,174,350	9,213,115	94,905,563	12,806,049	10,702,132	19,730,140	17,835,784
Total governmental activities program revenues	19,505,151	14,264,608	21,573,638	15,764,050	22,187,013	106,550,907	23,915,992	21,574,725	30,963,644	29,313,388
Business-type activities:										
Charges for services	31,233,491	31,747,066	32,658,440	36,226,324	38,784,127	39,883,386	42,338,079	43,461,742	45,045,488	50,710,688
Operating grants and contributions	33,384	33,384	54,999	47,961	43,263	55,024	87,454	70,841	116,735	97,052
Capital grants and contributions	6,985,742	4,351,278	7,857,856	3,988,202	12,479,500	10,670,660	1,992,259	7,391,111	15,981,735	7,248,835
Total business-type activities program revenues	38,252,617	36,131,728	40,571,295	40,262,487	51,306,890	50,609,070	44,417,792	50,923,694	61,143,958	58,056,575
Total primary government program revenues	\$ 57,757,768	\$ 50,396,336	\$ 62,144,933	\$ 56,026,537	\$ 73,493,903	\$ 157,159,977	\$ 68,333,784	\$ 72,498,419	\$ 92,107,602	\$ 87,369,963
Net (expense)/revenue										
Governmental activities	(21,875,737)	(35,477,532)	(29,960,821)	(39,085,958)	(39,272,281)	44,377,012	(35,622,486)	(38,933,610)	(32,437,311)	(39,934,967)
Business-type activities	7,319,805	3,598,036	6,460,665	4,309,388	11,554,066	7,876,985	(2,992,910)	2,571,734	12,705,244	5,522,798
Total primary government net expense	\$ (14,555,932)	\$ (31,879,496)	\$ (23,500,156)	\$ (34,776,570)	\$ (27,718,215)	\$ 52,253,997	\$ (38,615,396)	\$ (36,361,876)	\$ (19,732,067)	\$ (34,412,169)
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Property taxes	\$ 12,440,724	\$ 12,598,954	\$ 13,464,390	\$ 15,186,456	\$ 16,164,073	\$ 10,804,825	\$ 13,362,672	\$ 14,766,470	\$ 15,204,611	\$ 14,970,136
Retail sales and use tax	13,970,383	15,429,527	16,333,169	17,784,374	18,958,484	17,620,661	14,727,496	15,657,081	16,213,244	16,679,278
Interfund utility taxes	1,696,389	1,714,102	1,792,136	1,983,652	2,095,901	2,507,213	3,437,526	2,788,083	2,948,297	3,281,816
Utility taxes	4,225,725	5,012,010	5,349,713	5,893,041	6,073,429	8,075,355	9,071,485	8,886,964	9,049,689	8,856,498
Excise taxes	3,401,498	3,384,515	4,633,037	4,568,549	3,862,692	3,477,517	2,310,076	1,389,030	1,859,738	2,141,620
Other taxes	1,699,275	1,678,485	1,796,224	1,859,428	2,005,836	2,949,430	4,607,584	4,622,138	4,644,909	4,679,333
Investment earnings	769,239	708,259	1,465,102	2,454,694	2,993,174	1,589,837	570,798	379,316	224,593	178,618
Miscellaneous	96,168	192,469	564,416	69,037	(406,847)	2,751,495	67,223	214,190	775,969	547,391
Transfers	(1,225,054)	627,000	194,286	(570,588)	(371,660)	427,740	170,605	1,463,444	(483,107)	(513,428)
Total governmental activities	37,074,347	41,345,321	45,592,473	49,228,643	51,375,082	50,204,073	48,325,465	50,166,715	50,437,943	50,821,262
Business-type activities:										
Investment earnings	306,862	421,803	895,870	1,574,444	2,098,417	1,242,363	312,618	158,211	101,694	82,903
Miscellaneous	545,087	1,287,528	2,124,658	1,602,274	427,522	330,472	3,669,878	1,588,068	2,584,004	1,781,676
Transfers	1,225,054	(627,000)	(194,286)	570,588	371,660	(427,740)	(170,605)	(1,463,444)	483,107	513,428
Total business-type activities:	2,077,003	1,082,331	2,826,242	3,747,306	2,897,599	1,145,095	3,811,891	282,835	3,168,805	2,378,007
Total primary government	\$ 39,151,350	\$ 42,427,652	\$ 48,418,715	\$ 52,975,949	\$ 54,272,681	\$ 51,349,168	\$ 52,137,356	\$ 50,449,550	\$ 53,606,748	\$ 53,199,269
Change in net position										
Governmental activities	15,198,610	5,867,789	15,631,652	10,142,685	12,102,801	94,581,085	12,702,979	11,233,105	18,000,632	10,886,295
Business-type activities	9,396,808	4,680,367	9,286,907	8,056,694	14,451,665	9,022,080	818,981	2,854,569	15,874,049	7,900,805
Total primary government	\$ 24,595,418	\$ 10,548,156	\$ 24,918,559	\$ 18,199,379	\$ 26,554,466	\$ 103,603,165	\$ 13,521,960	\$ 14,087,674	\$ 33,874,681	\$ 18,787,100

Source: City of Auburn, Finance Department

City of Auburn, Washington
SCHEDULE 3
FUND BALANCES, GOVERNMENT FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012
General Fund										
Unreserved	\$ 18,496,495	\$ 20,702,250	\$ 15,938,825	\$ 14,448,328	\$ 14,462,720	\$ 13,071,091	\$ 13,237,851	\$ 15,382,354	\$ -	\$ -
Nonspendable									-	370,400
Restricted									-	-
Committed									-	-
Assigned									7,082,130	5,935,567
Unassigned									14,193,365	17,395,933
Total General Fund	18,496,495	20,702,250	15,938,825	14,448,328	14,462,720	13,071,091	13,237,851	15,382,354	21,275,495	23,701,900
All other governmental funds										
Reserved	1,133,206	1,270,769	1,375,591	1,376,798	1,501,033	1,507,565	1,538,038	1,592,378		
Unreserved, Reported In:										
Special Revenue Funds	9,776,846	10,612,069	8,967,039	10,738,431	13,124,661	14,463,370	15,184,058	15,486,918		
Capital Projects Funds	13,930,030	13,852,020	13,111,273	14,727,423	9,873,331	12,990,032	10,422,360	12,589,604		
Permanent Funds	233,800	222,020	232,832	188,524	170,983	144,396	153,503	132,717		
Total Unreserved	23,940,676	24,686,109	22,311,144	25,654,378	23,168,975	27,597,798	25,759,921	28,209,239		
Nonspendable									1,453,540	1,475,580
Restricted									12,781,743	11,688,536
Committed									3,134,449	3,258,257
Assigned									3,120,372	2,388,684
Unassigned									-	-
Total All Other Governmental Funds	25,073,882	25,956,878	23,686,735	27,031,176	24,670,008	29,105,363	27,297,959	29,801,617	20,490,104	18,811,057

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

Source: City of Auburn, Finance Department

City of Auburn, Washington
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENT FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 35,734,592	\$ 38,258,799	\$ 41,467,853	\$ 44,867,161	\$ 46,721,651	\$ 43,781,530	\$ 42,514,006	\$ 43,069,695	\$ 44,812,975	\$ 46,003,582
Licenses and permits	1,255,582	2,248,576	2,227,963	1,683,320	1,606,950	1,110,722	1,326,875	1,311,916	1,769,516	2,344,643
Intergovernmental	6,756,672	4,697,501	6,826,222	6,831,240	5,766,484	8,369,888	9,616,067	9,656,529	16,174,149	20,045,299
Charges for services	2,924,962	3,393,178	3,939,610	3,659,773	5,017,224	3,784,544	3,473,199	3,073,168	2,938,815	4,006,762
Fines and forfeits	836,244	845,721	777,241	1,054,201	2,155,120	2,059,771	1,911,034	2,472,411	1,940,326	1,592,957
Special assessments	177,588	127,976	153,627	75,574	52,291	57,402	107,597	43,502	32,972	39,115
Investment earnings	300,213	336,442	1,175,258	1,477,368	2,456,291	1,363,375	484,696	386,890	237,056	200,826
Miscellaneous	1,102,089	2,452,468	1,247,252	1,865,079	877,473	1,296,349	1,142,428	3,023,589	2,322,580	871,191
Total revenues	49,087,942	52,360,661	57,815,026	61,513,716	64,653,484	61,823,581	60,575,902	63,037,699	70,228,389	75,104,375
Expenditures										
General government	5,737,882	5,472,630	5,308,663	6,062,037	6,834,084	7,719,205	7,864,410	7,770,957	8,310,037	8,761,452
Public safety	22,658,127	25,870,873	27,169,657	29,148,278	33,568,753	26,023,912	25,762,116	24,597,986	27,399,406	24,039,435
Transportation	4,327,863	5,152,344	10,337,587	9,403,147	7,385,929	8,910,967	9,850,579	10,054,434	16,059,156	20,766,134
Physical environment	1,911,616	2,304,248	2,191,796	2,435,201	3,352,466	3,490,636	3,192,089	2,480,641	2,290,328	2,526,526
Economic environment	1,316,782	2,796,902	1,877,675	1,928,978	2,142,282	2,530,827	3,028,684	2,597,849	3,138,590	2,876,558
Health and human services	639,678	597,423	602,726	763,156	416,456	776,224	527,029	568,911	616,717	616,583
Culture and recreation	4,453,173	4,806,217	4,815,643	5,016,554	6,571,275	6,296,743	6,622,546	6,663,881	6,918,623	7,228,345
Capital outlay ⁽¹⁾	3,357,827	12,100,966	507,484	3,822,895	7,346,316	4,778,334	30,338,508	8,486,382	8,597,944	4,007,018
Debt service:										
Principal	1,162,465	1,018,355	10,582,246	420,631	435,093	456,655	479,661	26,683,671	1,208,512	1,219,137
Interest / other	333,439	248,005	315,960	247,551	203,266	264,997	296,241	1,775,746	1,761,334	2,245,858
Total expenditures	45,898,852	60,367,963	63,709,437	59,248,428	68,255,920	61,248,500	87,961,863	91,680,457	76,300,647	74,287,046
Excess of revenues over (under) expenditures	3,189,090	(8,007,302)	(5,894,411)	2,265,288	(3,602,436)	575,081	(27,385,961)	(28,642,758)	(6,072,258)	817,329
Other financing sources (uses)										
Transfers in	5,458,804	3,946,424	9,753,294	8,873,200	6,103,144	7,386,082	6,994,306	9,442,727	7,410,926	6,643,116
Transfers out	(6,561,204)	(3,319,424)	(11,703,804)	(9,554,816)	(5,542,988)	(7,993,842)	(6,997,801)	(7,745,568)	(6,242,333)	(7,005,097)
Capital leases	-	10,350,000	-	-	695,504	17,728	24,549,186	-	-	-
Insurance recoveries	-	-	-	-	-	-	114,607	200,642	154,200	291,210
Issuance of debt	-	-	-	142,313	-	360,000	957,278	31,172,273	-	-
Issuance of refunding bond	-	-	-	-	-	-	-	2,150,000	-	-
Debt Premium	-	-	-	-	-	-	-	305,844	-	-
Payment to escrow agent - refunded bond	-	-	-	-	-	-	-	(2,235,000)	-	-
Sales of capital assets	26,930	119,053	811,353	127,959	-	2,698,677	127,741	-	1,331,092	800
Total other financing sources (uses)	(1,075,470)	11,096,053	(1,139,157)	(411,344)	1,255,660	2,468,645	25,745,317	33,290,918	2,653,885	(69,971)
Net change in fund balances	\$ 2,113,620	\$ 3,088,751	\$ (7,033,568)	\$ 1,853,944	\$ (2,346,776)	\$ 3,043,726	\$ (1,640,644)	\$ 4,648,159	\$ (3,418,373)	\$ 747,358
Debt service as a percentage of noncapital expenditures	3.56%	2.37%	19.81%	1.39%	1.12%	1.42%	1.54%	37.50%	5.44%	6.64%

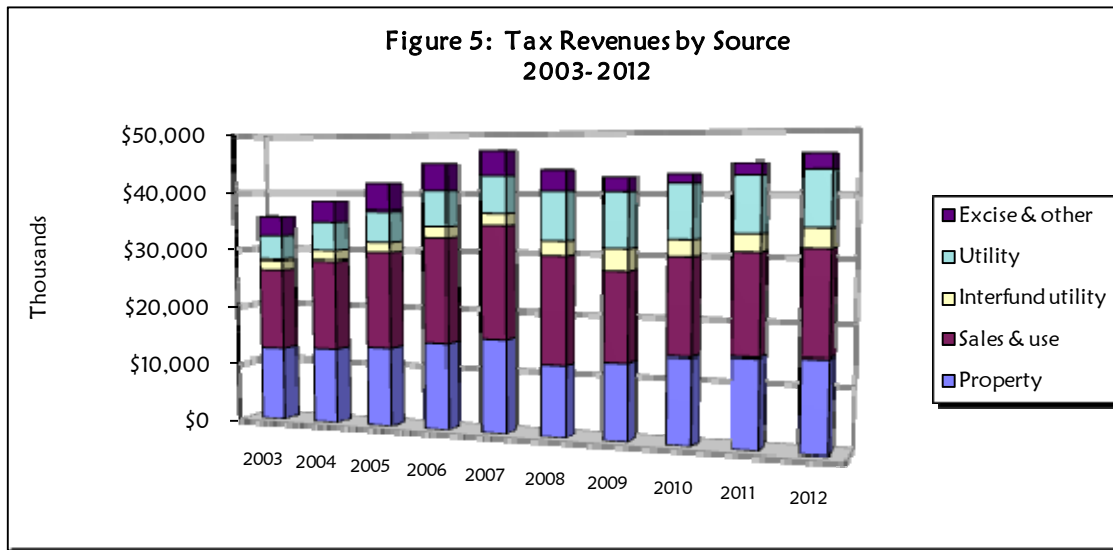
(1) Capital outlay reported in governmental funds is \$4,007,018 plus \$18,058,705 which is reported for each functional activity with the other funds results in total capital outlay of \$22,065,723 as reported on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities.

Source: City of Auburn, Finance Department

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

Fiscal Year	Property	Sales & Use	Interfund Utility	Utility	Excise	Other	Total
2003	\$ 12,396,502	\$ 13,970,383	\$ 1,696,389	\$ 4,225,725	\$ 3,401,498	\$ 44,095	\$ 35,734,592
2004	12,680,361	15,429,527	1,714,102	5,012,010	3,384,515	38,284	38,258,799
2005	13,319,740	16,333,169	1,792,136	5,349,713	4,633,037	40,058	41,467,853
2006	14,582,829	17,784,374	1,983,652	5,893,041	4,568,549	54,716	44,867,161
2007	15,666,016	18,958,484	2,095,901	6,073,429	3,862,692	65,129	46,721,651
2008	12,040,124	17,620,661	2,507,213	8,075,355	3,477,517	60,660	43,781,530
2009	12,914,943	14,727,496	3,437,526	9,071,485	2,310,076	52,480	42,514,006
2010	14,283,303	15,657,081	2,788,083	8,886,964	1,389,030	65,234	43,069,695
2011	14,683,329	16,213,244	2,948,297	9,049,689	1,859,738	58,678	44,812,975
2012	14,987,636	16,679,278	3,281,816	8,856,498	2,141,620	56,734	46,003,582
Change							
2003-2012	20.9%	19.4%	93.5%	109.6%	-37.0%	28.7%	28.7%

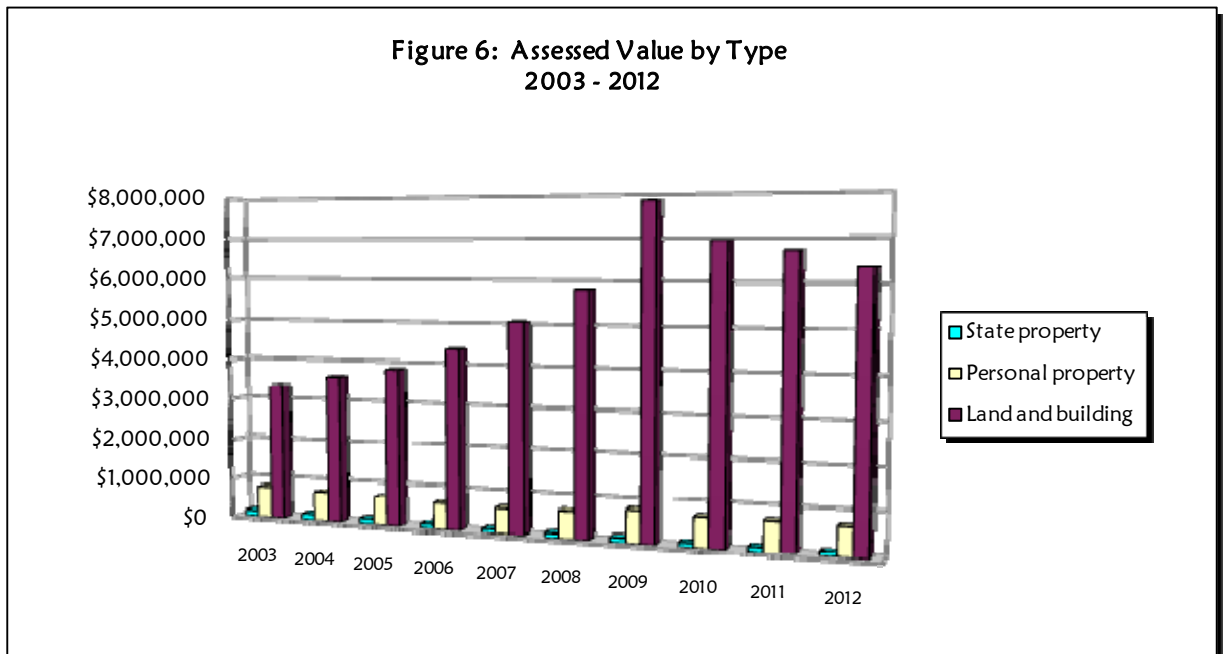
Source: City of Auburn, Finance Department



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

Fiscal Year	State Property and Other	Personal Property	Land and Building	Total Assessed Value	Total Direct Rate
2003	\$ 140,531	\$ 787,022	\$ 3,344,271	\$ 4,271,824	2.87
2004	150,458	742,255	3,599,466	4,492,179	2.88
2005	137,611	704,061	3,834,629	4,676,301	2.87
2006	116,895	623,298	4,359,276	5,099,469	2.73
2007	101,419	607,875	5,055,734	5,765,028	1.48
2008	112,101	640,004	5,804,585	6,556,690	1.49
2009	121,918	764,857	7,837,089	8,723,864 (*)	1.49
2010	114,661	715,534	6,935,683	7,765,878	1.82
2011	126,415	726,944	6,711,148	7,564,507	1.93
2012	124,204	709,024	6,392,321	7,225,550	2.08

Source: King County Dept of Assessments & Pierce County Assessor-Treasurer
 (*) In 2009, Total Assessed Value increased significantly due to annexations of Lea Hill and West Hill areas

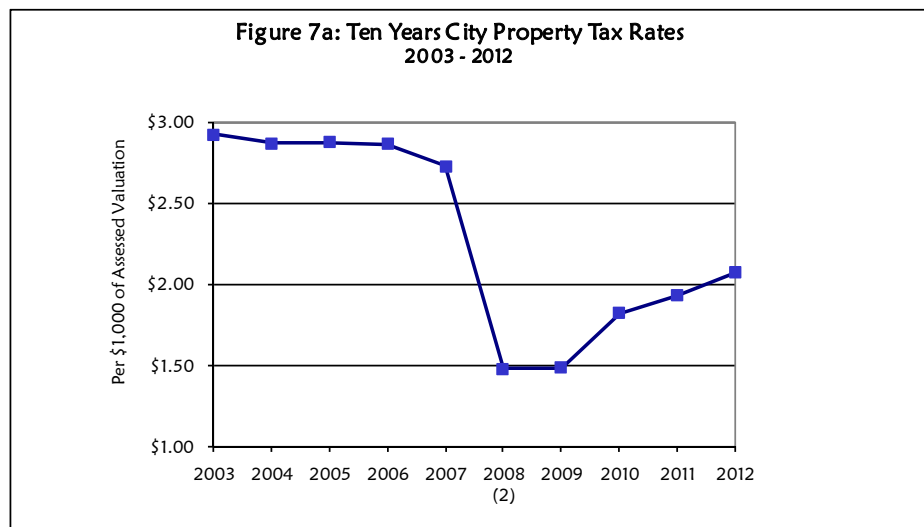


City of Auburn, Washington
SCHEDULE 7
PROPERTY TAX DATA
 Last Ten Fiscal Years

Item	2003	2004	2005	2006
Assessed and estimated actual values ⁽¹⁾				
Estimated and actual value (in thousands)	\$ 4,271,824	\$ 4,492,179	\$ 4,676,301	\$ 5,099,469
Assessed value (in thousands)	4,271,824	4,492,179	4,676,301	5,099,469
Ratio of assessed to actual	100%	100%	100%	100%
Property tax rates ⁽¹⁾				
Direct regular and special				
General fund	\$ 2.92857	\$ 2.87319	\$ 2.88000	\$ 2.86520
Debt service funds	-	-	-	-
Subtotal	2.92857	2.87319	2.88000	2.86520
Overlapping regular and special ⁽¹⁾				
Auburn School District	\$ 5.35720	\$ 5.34914	\$ 5.37195	\$ 5.37383
King County	1.34948	1.43146	1.38229	1.32869
State of Washington	2.89680	2.75678	2.68951	2.49787
Port of Seattle	0.25895	0.25402	0.25321	0.23330
Emergency Medical Services	0.24143	0.23717	0.23182	0.21982
Hospital District	0.09254	0.09200	0.09039	0.59000
King County Library District	0.54568	0.53653	0.53255	0.53424
Valley Regional Fire Authority	-	-	-	-
King County Flood Zone	-	-	-	-
King County Ferry District	-	-	-	-
Subtotal	10.74208	10.65710	10.55172	10.77775
Total direct and overlapping	<u>\$ 13.67065</u>	<u>\$ 13.53029</u>	<u>\$ 13.43172</u>	<u>\$ 13.64295</u>

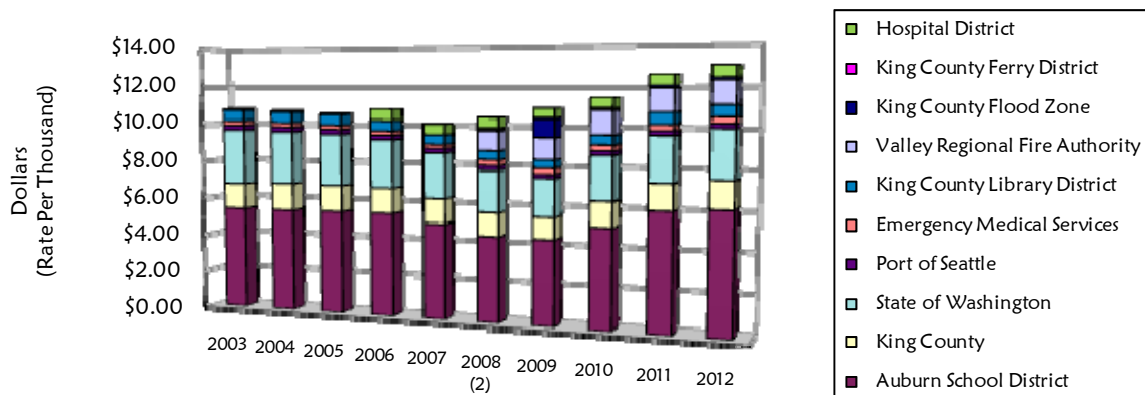
Sources:

- (1) King County and Pierce County Departments of Assessments; real and personal property has been assessed at 100% of the estimated actual value.
- (2) The 2008 decrease in property tax levy to \$1.48 is due to the incorporation of the Valley Regional Fire Authority effective 1/1/2007. The VRFA will assess its own property tax levy in 2008, partially offsetting what was previously levied by the City.



2007	2008 ⁽²⁾	2009	2010	2011	2012
\$ 5,765,028	\$ 6,556,690	\$ 8,723,864	\$ 7,765,878	\$ 7,564,507	\$ 7,225,550
5,765,028	6,556,690	8,723,864	7,765,878	7,564,507	7,225,550
100%	100%	100%	100%	100%	100%
\$ 2.73076	\$ 1.48385	\$ 1.48678	\$ 1.82336	\$ 1.93458	\$ 2.07527
-	-	-	-	-	-
2.73076	1.48385	1.48678	1.82336	1.93458	2.07527
\$ 4.94903	\$ 4.40970	\$ 4.37709	\$ 5.09382	\$ 5.99562	\$ 6.14004
1.28956	1.20770	1.09772	1.28499	1.33816	1.41588
2.32535	2.13233	1.96268	2.22253	2.27990	2.42266
0.23158	0.22359	0.19700	0.21597	0.22366	0.22982
0.20621	0.30000	0.27404	0.30000	0.30000	0.30000
0.55652	0.50854	0.47141	0.53290	0.55753	0.50000
0.50027	0.45336	0.41736	0.48526	0.56621	0.56992
-	1.00000	1.10995	1.17910	1.17977	1.18925
-	0.10000	0.91230	0.10514	0.10976	0.11616
-	0.05500	0.05018	0.00348	0.00360	0.00372
10.05852	10.39022	10.86973	11.42319	12.55421	12.88745
\$ 12.78928	\$ 11.87407	\$ 12.35651	\$ 13.24655	\$ 14.48879	\$ 14.96272

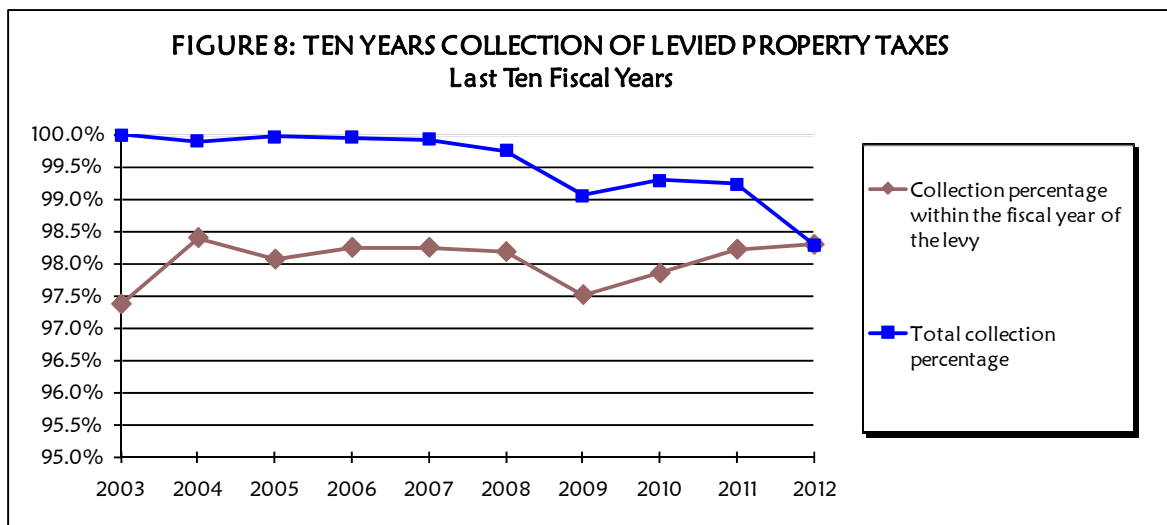
Figure 7b: Property Tax Rates Last Ten Fiscal Years



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:								
2003	\$ 12,082,210	\$ 11,765,654	97.4%	\$ 315,783	\$ 12,081,437	100.0%	\$ 773	
2004	12,223,173	12,031,253	98.4%	178,573	12,209,826	99.9%	13,347	
2005	12,639,133	12,393,241	98.1%	240,879	12,634,120	100.0%	5,013	
2006	13,399,840	13,164,248	98.2%	228,999	13,393,247	100.0%	6,593	
2007	13,845,638	13,605,301	98.3%	228,945	13,834,246	99.9%	11,392	
2008	9,553,486	9,406,398	98.5%	124,483	9,530,881	99.8%	22,605	
2009	11,670,838	11,390,684	97.6%	182,031	11,572,715	99.2%	98,123	
2010	12,721,658	12,459,564	97.9%	172,604	12,632,168	99.3%	89,490	
2011	13,081,731	12,846,996	98.2%	132,388	12,979,384	99.2%	102,347	
2012	13,404,135	13,167,731	98.2%	-	13,167,731	98.2%	236,404	
							<u>\$ 586,088</u>	
Pierce County:								
2003	\$ 435,886	\$ 423,834	97.2%	\$ 12,052	\$ 435,886	100.0%	\$ -	
2004	579,828	566,356	97.7%	13,472	579,828	100.0%	-	
2005	783,135	769,223	98.2%	13,912	783,135	100.0%	-	
2006	1,242,039	1,220,642	98.3%	21,378	1,242,020	100.0%	19	
2007	1,851,622	1,816,706	98.1%	34,876	1,851,582	100.0%	40	
2008	1,226,835	1,177,665	96.0%	44,286	1,221,951	99.6%	4,884	
2009	1,264,690	1,223,668	96.8%	17,092	1,240,760	98.1%	23,930	
2010	1,494,931	1,451,377	97.1%	31,396	1,482,773	99.2%	12,158	
2011	1,425,494	1,401,537	98.3%	15,773	1,417,310	99.4%	8,184	
2012	1,496,492	1,478,223	98.8%	-	1,478,223	98.8%	18,268	
							<u>\$ 67,483</u>	
					Total current levy balance		<u>\$ 653,571</u>	

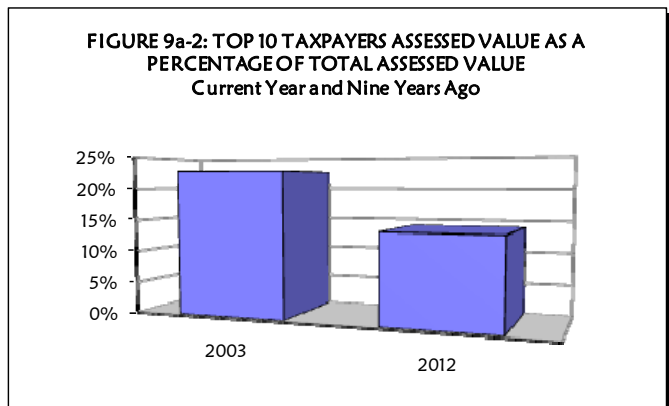
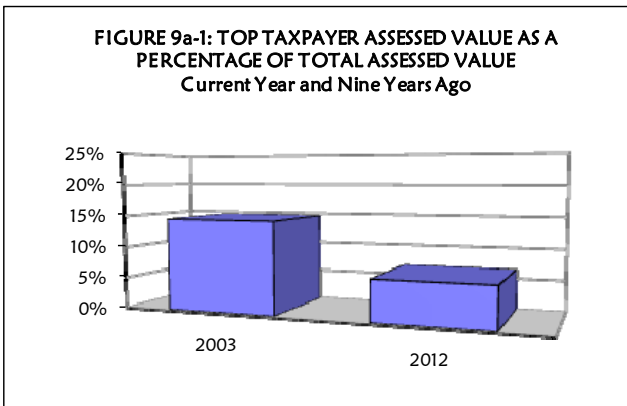
Source: King County Finance and Business Operations Division
 Pierce County Budget and Finance Department



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

Taxpayer	2012			2003		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Boeing Company	\$ 468,071,713	1	6.48%	\$ 620,021,873	1	14.51%
Glimcher Realty Trust (Supermall)	83,858,955	2	1.16%	106,845,000	2	2.50%
Safeway	79,636,302	3	1.10%	-	-	-
EPropertyTax Inc.	72,683,500	4	1.01%	-	-	-
Universal Health Services	67,280,010	5	0.93%	21,251,800	8	0.50%
Puget Sound Energy	59,804,161	6	0.83%	53,776,244	3	1.26%
Muckleshoot Indian Tribe	56,630,000	7	0.78%	-	-	-
Belara Communities LLC	48,145,500	8	0.67%	-	-	-
PPF Industrial (formerly UPS Supply Chain Solutions)	43,795,600	9	0.61%	-	-	-
Qwest Corporation	24,148,433	10	0.33%	-	-	-
McElroy George & Assoc. Inc.	-	-	-	50,716,500	4	1.19%
La Terra Limited Partnership	-	-	-	35,509,800	5	0.83%
U.S. West Communications	-	-	-	34,187,146	6	0.80%
Fritz Companies	-	-	-	21,842,100	7	0.51%
Roundup Co. (Fred Meyer)	-	-	-	15,888,434	9	0.37%
West Valley 29 Partners	-	-	-	13,411,500	10	0.31%
TOTALS	\$ 1,004,054,174		13.90%	\$ 973,450,397		22.79%

Source: King County and Pierce County Departments of Assessments
 Total assessed value for 2012: \$ 7,225,549,856
 Total assessed value for 2003: \$ 4,271,824,000



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

2012				2003			
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
\$ 436,288	General Retail	1	3.3%	NOT AVAILABLE			
311,437	Automotive	2	2.4%				
301,142	Automotive	3	2.3%				
282,442	Automotive	4	2.2%				
242,384	Automotive	5	1.9%				
230,114	General Retail	6	1.8%				
223,789	Automotive	7	1.7%				
214,560	General Retail	8	1.6%				
212,602	Automotive	9	1.6%				
200,059	Automotive	10	1.5%				
\$ 2,654,817			20.4%				

Source: Washington State Department of Revenue

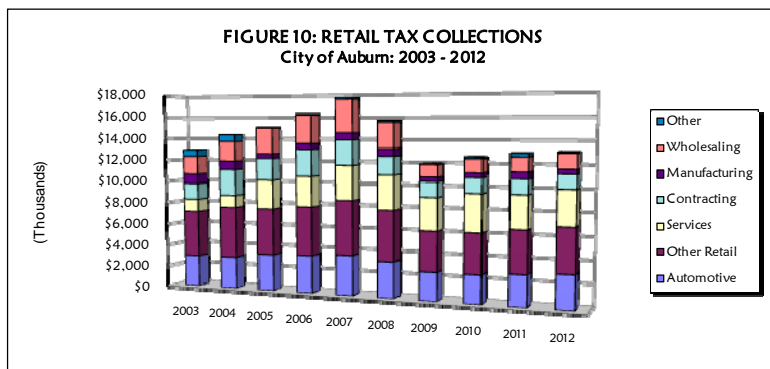
(1) It is illegal to disclose specific taxpayer sales tax information, so the above information is being provided without identification

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
RETAIL TRADE SECTOR										
Automotive/gas	\$ 2,862	\$ 2,893	\$ 3,326	\$ 3,428	\$ 3,643	\$ 3,255	\$ 2,559	\$ 2,553	\$ 2,785	\$ 3,019
Furniture	318	438	218	263	268	241	220	194	218	226
Electronics & appliances	-	-	451	288	262	242	132	121	127	145
Building materials	412	479	488	594	615	521	358	389	383	425
Food stores	401	395	358	346	378	360	352	354	331	341
Health & personal care	-	-	120	130	143	152	150	144	148	149
Apparel	649	765	836	874	899	873	781	752	754	772
General merchandise	909	990	970	941	974	872	833	801	968	967
Food/Drink	596	651	-	-	-	-	-	-	-	-
Misc retail trade	864	905	724	939	1,334	1,234	755	834	851	897
	7,011	7,515	7,491	7,803	8,516	7,750	6,140	6,142	6,566	6,943
SERVICE SECTOR										
Information	-	-	506	507	531	489	457	979	481	396
Finance & insurance	-	-	86	84	85	85	83	68	66	53
Real estate, rental, leasing	-	-	294	311	330	394	304	288	304	326
Professional, scientific, technical	-	-	119	116	162	146	200	191	175	173
Administrative, supply & remediation service	-	-	197	195	301	261	261	239	295	334
Educational	-	-	81	81	87	91	42	56	53	54
Healthcare & social services	-	-	45	33	88	98	61	37	41	115
Arts & entertainment	-	-	104	126	172	171	147	154	149	153
Accommodation & food service	-	-	764	833	870	915	827	806	839	921
Other services	-	-	477	492	502	457	485	493	482	530
	-	-	2,673	2,779	3,128	3,107	2,867	3,310	2,882	3,056
OTHER SECTORS										
Services ⁽¹⁾	1,182	1,152	-	-	-	-	-	-	-	-
Construction	1,514	2,402	2,008	2,453	2,240	1,647	1,368	1,322	1,296	1,221
Manufacturing	882	793	414	486	625	643	383	411	583	405
Transportation	400	401	31	26	22	76	31	29	77	55
Wholesaling	1,674	1,795	2,313	2,571	2,943	2,306	1,073	1,180	1,260	1,297
Banking	98	127	-	-	-	-	-	-	-	-
Other business	121	108	73	72	143	72	47	128	224	61
Subtotal - other sectors	5,871	6,779	4,839	5,607	5,973	4,744	2,902	3,071	3,439	3,038
GRAND TOTAL	\$ 12,882	\$ 14,294	\$ 15,003	\$ 16,189	\$ 17,617	\$ 15,601	\$ 11,909	\$ 12,523	\$ 12,887	\$ 13,037
OVERLAPPING SALES TAX RATES										
<u>Basic sales tax rates</u>										
City of Auburn	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
Washington State	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
King County	0.16%	0.16%	0.16%	0.16%	0.26%	0.36%	0.36%	0.36%	0.36%	0.36%
Regional Transit Authority	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.90%	0.90%	0.90%	0.90%
Metro	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
Criminal Justice	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Total basic sales tax rate	8.80%	8.80%	8.80%	8.80%	8.90%	9.00%	9.50%	9.50%	9.50%	9.50%
<u>Special sales tax rates</u>										
Restaurants-for stadium funding ⁽²⁾	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.00%
Motor vehicles-for multimodal transportation	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%

(1) Starting in March of 2005, the State of Washington switched from classifying retail sales using the Standard Industrial Classification (SIC) code to the North American Industry Classification System (NAICS). As a result, specific trend comparisons of 2005 results to prior year may not be meaningful.
 (2) This tax expired on October 1, 2011

Source: City of Auburn Finance department and State of Washington

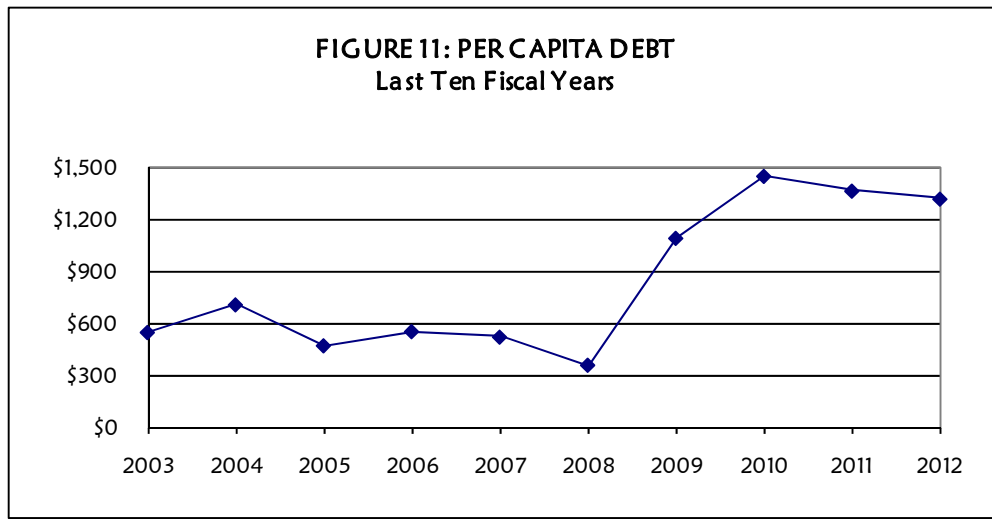


City of Auburn, Washington
SCHEDULE 11
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Revenue Bonds	Public Works Trust Fund Loans			
2003	\$ 7,088,000	\$ 347,904	\$ 689,643	\$ 9,230,000	\$ 7,428,695	\$ 24,784,242	3.27%	\$ 546.45
2004	6,754,000	228,354	10,322,787	8,220,000	7,066,042	32,591,183	4.16%	706.43
2005	6,478,000	132,354	-	7,020,000	8,679,509	22,309,863	2.68%	469.98
2006	11,210,000	36,827	-	5,905,000	9,853,410	27,005,237	3.04%	551.63
2007	10,650,000	36,827	663,553	4,730,000	10,149,419	26,229,799	2.77%	519.71
2008	10,053,000	36,827	646,799	3,495,000	9,730,324	23,961,950	1.82%	357.61
2009	36,160,850	36,827	25,193,600	2,200,000	10,014,943	73,606,220	4.11%	1,090.70
2010	64,816,850	-	604,685	23,220,000	10,296,024	98,937,559	5.35%	1,449.21
2011	63,430,850	-	566,212	22,930,000	9,491,810	96,418,872	5.07%	1,363.68
2012	62,004,850	-	524,498	22,625,000	8,687,599	93,841,947	5.01%	1,317.26

Source: City of Auburn, Finance Department

(1) Personal income data provided by US Census Bureau estimate for 2012, 2011; Hebert Research for 2004, 2005 and 2010 only; other years are city estimates



City of Auburn, Washington
SCHEDULE 12
COMPUTATION OF LEGAL DEBT MARGIN
 As of December 31, 2012

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Spaces	Utility Purpose	
December 31, 2012 - Total Assessed Value:					
\$	6,909,168,076				
2.5% of Assessed Value	\$ -	\$ 172,729,202	\$ 172,729,202	\$ 172,729,202	\$ 518,187,606
1.5% of Assessed Value	103,637,521	(103,637,521)	-	-	-
Statutory Debt Limit	103,637,521	69,091,681	172,729,202	172,729,202	518,187,606
Debt Outstanding	63,815,473	-	-	-	63,815,473
Net Debt Outstanding	63,815,473	-	-	-	63,815,473
Remaining Debt Capacity	<u>\$ 39,822,048</u>	<u>\$ 69,091,681</u>	<u>\$ 172,729,202</u>	<u>\$ 172,729,202</u>	<u>\$ 454,372,133</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 336,913	\$ 350,782	\$ 350,782	\$ 432,377	\$ 489,472	\$ 653,979	\$ 577,669	\$ 565,822	\$ 539,989	\$ 518,188
Total net debt applicable to limit	3,576	17,055	17,055	11,352	10,757	10,771	62,671	66,868	65,364	63,815
Legal debt margin	<u>\$333,337</u>	<u>\$333,727</u>	<u>\$ 333,727</u>	<u>\$ 421,025</u>	<u>\$ 478,715</u>	<u>\$ 643,208</u>	<u>\$ 514,998</u>	<u>\$ 498,954</u>	<u>\$ 474,625</u>	<u>\$ 454,372</u>
Total net debt applicable to the limit as a percentage of debt limit	1.06%	4.86%	4.86%	2.63%	2.20%	1.65%	10.85%	11.82%	12.10%	12.32%

City of Auburn, Washington
SCHEDULE 14
COMPUTATION OF NET DIRECT AND ESTIMATED OVERLAPPING DEBT
As of December 31, 2012

	Net Debt Outstanding	Percent Applicable ⁽³⁾	Bonded Amount Applicable
Net direct debt:			
Net direct debt - City of Auburn ⁽¹⁾			\$ 58,967,713
Estimated net overlapping debt: ⁽²⁾			
King County	\$ 845,987,000	2.04%	\$ 17,258,135
Port of Seattle	312,005,000	2.04%	6,364,902
School District No. 210	209,933,746	2.22%	4,660,529
School District No. 408	84,840,000	77.83%	66,030,972
School District No. 415	188,646,249	1.91%	3,603,143
Rural Library District	136,748,287	3.27%	4,471,669
Valley Regional Fire Authority	17,210,000	89.96%	15,482,116
Pierce County	160,196,940	0.95%	1,521,871
Total estimated net overlapping debt			119,393,337
Total direct and overlapping debt			<u>\$ 178,361,050</u>

Sources:

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

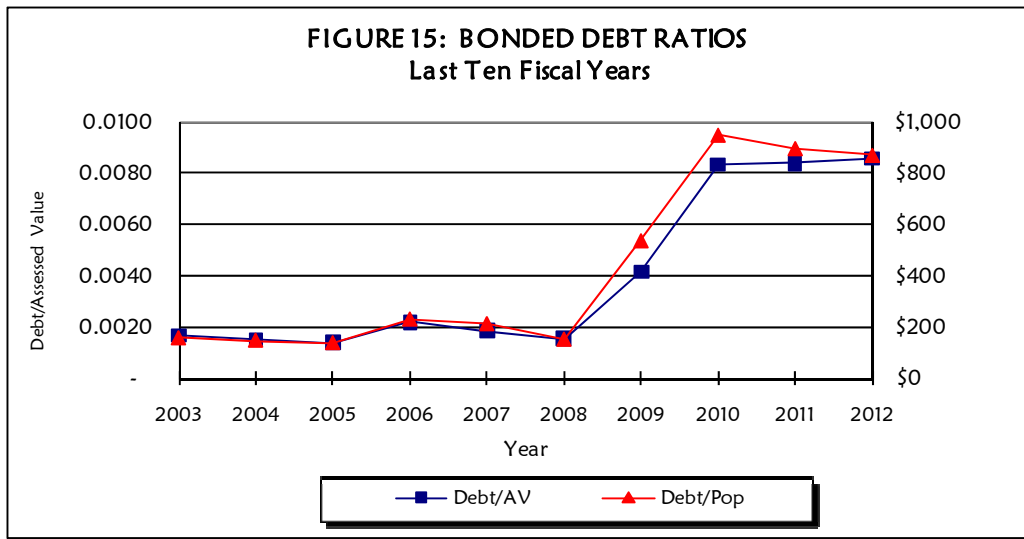
Calculation of overlapping debt: applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Auburn.

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

Fiscal Year	Population	Assessed Value ⁽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
2003	45,546	\$ 4,271,824	\$ 7,088,000	\$ 5,278	\$ 7,083	0.17%	\$ 156
2004	46,135	4,492,179	6,754,000	7,248	6,747	0.15%	146
2005	47,470	4,676,301	6,478,000	14,256	6,464	0.14%	136
2006	48,955	5,099,469	11,210,000	25,372	11,185	0.22%	229
2007	50,470	5,765,028	10,650,000	35,810	10,614	0.18%	211
2008	67,005	6,556,690	10,053,000	41,603	10,011	0.15%	150
2009	67,485	8,723,864	36,160,850	37,746	36,123	0.41%	536
2010	68,270	7,765,878	64,816,850	46,058	64,771	0.83%	949
2011	70,705	7,564,507	63,430,850	45,754	63,385	0.84%	897
2012	71,240	7,225,550	62,004,850	46,155	61,959	0.86%	870

Notes:

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



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

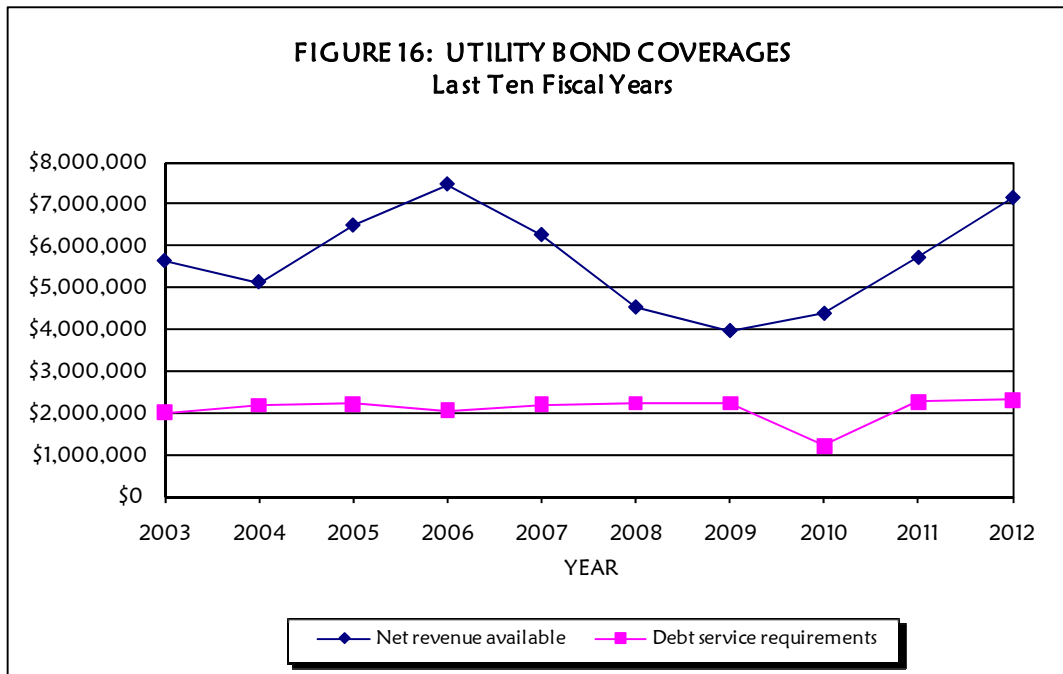
Year	Gross ⁽¹⁾ Revenue	Direct ⁽²⁾ Operating Expense	Net Revenue Available	Debt Service Requirements			Times Coverage
				Principal	Interest	Total ⁽³⁾	
2003	\$ 21,243,060	\$ 15,611,753	\$ 5,631,307	\$ 1,407,343	\$ 603,357	\$ 2,010,700	2.80
2004	21,958,359	16,834,837	5,123,522	1,633,533	539,754	2,173,287	2.36
2005	24,562,487	18,078,747	6,483,740	1,800,568	417,834	2,218,402	2.92
2006	27,087,351	19,615,315	7,472,036	1,718,412	333,016	2,051,428	3.64
2007	27,492,779	21,237,294	6,255,485	1,914,523	281,065	2,195,588	2.85
2008	27,665,498	23,149,802	4,515,696	1,942,938	279,765	2,222,703	2.03
2009	31,265,941	27,314,611	3,951,330	2,002,938	217,283	2,220,221	1.78
2010	33,115,398	28,749,877	4,365,520	1,056,094	150,675	1,206,769	3.62
2011	34,909,200	29,201,088	5,708,112	1,013,830	1,248,612	2,262,442	2.52
2012	38,119,472	30,974,506	7,144,966	1,028,830	1,277,285	2,306,115	3.10

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.

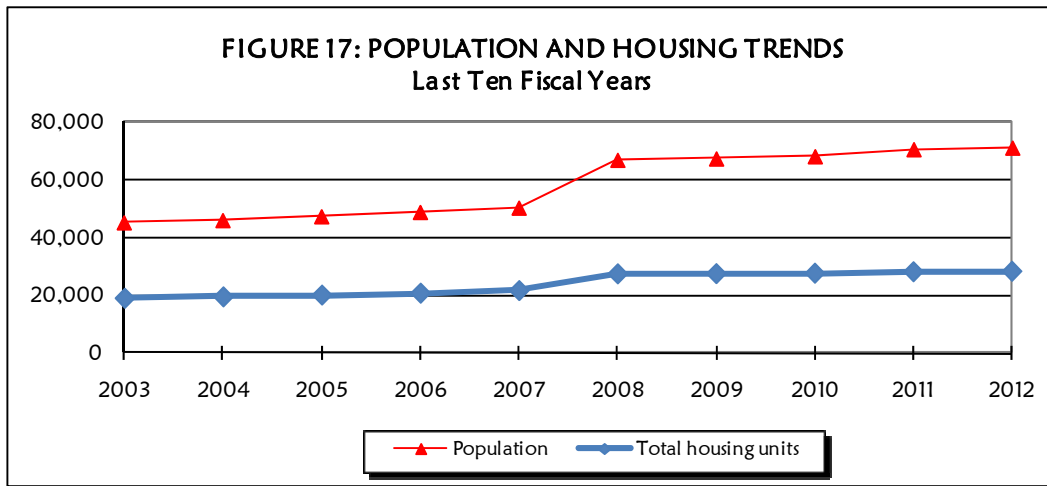
(3) Includes both parity and non-parity debt.



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

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
School enrollment ⁽¹⁾	13,461	13,838	13,760	14,367	14,559	14,716	14,589	14,482	14,363	14,408
Rate of unemployment ⁽²⁾	8.3%	7.0%	5.4%	4.8%	4.2%	5.5%	9.5%	9.6%	8.7%	7.7%
Population ⁽³⁾	45,355	46,135	47,470	48,955	50,470	67,005	67,485	68,270	70,705	71,240
Personal income (thousands of dollars) ⁽⁴⁾	\$ 1,094,254	\$ 1,161,714	\$ 1,247,566	\$ 1,342,818	\$ 1,444,871	\$ 2,024,087	\$ 1,989,661	\$ 1,848,752	\$ 1,901,540	\$ 1,871,973
Per capita personal income ⁽⁴⁾	\$ 24,126	\$ 25,181	\$ 26,281	\$ 27,430	\$ 28,628	\$ 30,208	\$ 29,483	\$ 27,080	\$ 26,894	\$ 26,277
Housing units ⁽⁵⁾										
One unit	8,745	8,990	9,105	9,402	9,625	14,186	14,235	14,333	14,823	14,957
Two or more	7,790	8,078	8,655	8,943	9,623	10,375	10,391	10,426	10,592	10,631
Mobile home or special	2,474	2,421	2,346	2,407	2,382	2,761	2,782	2,794	2,635	2,618
Total housing units	19,009	19,489	20,106	20,752	21,630	27,322	27,408	27,553	28,050	28,206

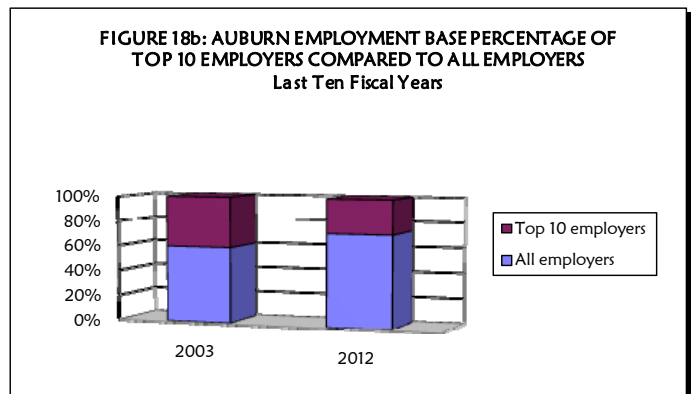
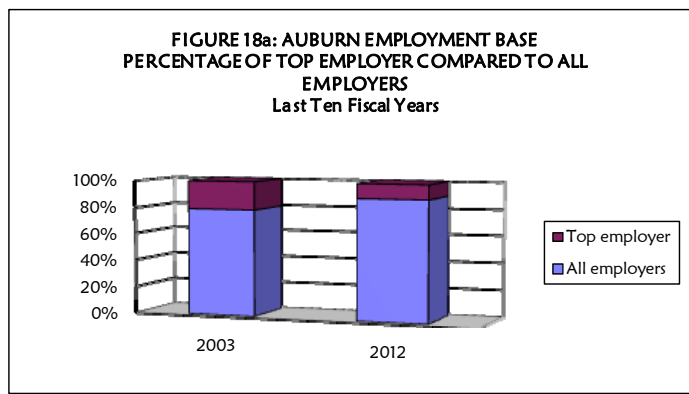
- Sources:
- (1) Auburn School District No. 408
 - (2) Bureau of Labor Statistics
 - (3) WA State Office of Financial Management
 - (4) US Census Bureau
 - (5) Office of Financial Management



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

Employer	Product/service	2012			2003		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Boeing Company	Aerospace	3,970	1	12.0%	5,085	1	26.1%
Auburn School District	Education	1,850	2	5.6%	1,878	3	9.7%
Muckleshoot Tribal Enterprises	Gaming	1,500	3	4.5%	2,550	2	13.1%
The Outlet Collection	Retail	1,100	4	3.3%			
Green River Community College	Education	635	5/6	1.9%			
Multicare Auburn Medical Center	Hospital	635	5/6	1.9%	657	4	3.4%
Social Security Administration	Gov't / public offices	600	7	1.8%	603	5	3.1%
Emerald Downs Racetrack	Horse racing	500	8/9	1.5%	600	6	3.1%
Zones, Inc.	Technology reseller	500	8/9	1.5%	550	7	2.8%
Federal Aviation Administration	Federal government	450	10	1.4%	500	8	2.6%
City of Auburn	City government	392		1.2%	447	9	2.3%
General Services Administration	Federal government	350		1.1%	325	10	1.7%
TOTALS		12,482		37.8%	13,195		67.8%

Sources: WA Employment Security Department
 2012 - City of Auburn, Planning & Development
 2003 - Auburn School District 2003 CAFR

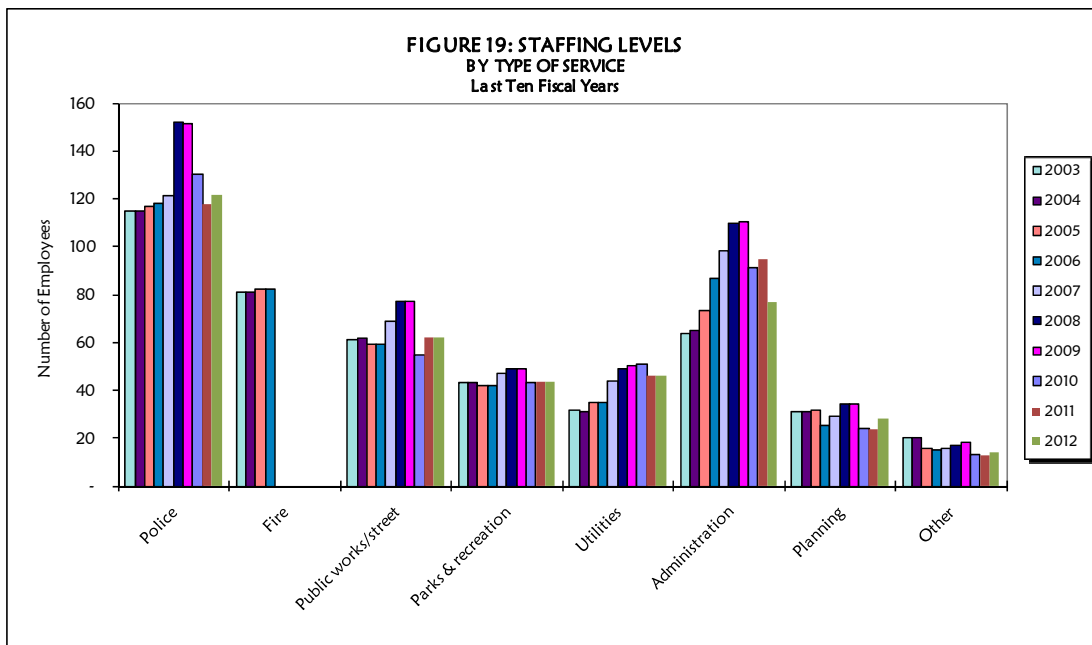


City of Auburn, Washington
SCHEDULE 19
STAFFING LEVELS BY DEPARTMENT
 Last Ten Fiscal Years

Department	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mayor	4	4	8	10	11	12	12	10	10	7
Human Resources	7	7	7	15	17	18	9	7	7	8
Finance	28	28	21	23	24	25	25	21	22	22
Municipal Court ⁽⁴⁾	12	13	14	15	17	21	21	17	19	-
Legal	13	13	13	13	14	16	16	13	13	13
Planning	31	31	32	25	29	34	34	24	24	28
Police	115	115	117	118	121	152	152	131	118	122
Fire ⁽¹⁾	81	81	82	82	-	-	-	-	-	-
Public works	48	49	48	48	54	63	63	43	43	43
Parks, Arts, & Recreation	37	37	36	36	38	40	40	35	36	36
Street	13	13	11	11	15	14	14	12	19	19
Water	16	16	16	16	19	20	20	22	22	22
Sewer	7	6	8	8	11	11	11	11	12	12
Storm Drainage	7	7	9	9	12	16	17	16	10	10
Solid Waste	2	2	2	2	2	2	2	2	2	2
Airport	3	3	-	-	-	-	-	-	-	-
Cemetery	7	7	6	6	7	7	7	7	7	7
Golf course	6	6	6	6	9	9	9	8	8	8
Facilities ⁽²⁾	-	-	-	-	-	-	10	10	10	9
Innovation & Technology	-	-	10	11	15	18	18	14	14	18
Equipment Rental	10	10	10	9	9	10	11	6	6	7
TOTAL	447	448	456	463	424	488	490	408	401	392

Source: City of Auburn Finance Department

- (1) No data is presented for Fire employees for 2007 and thereafter due to incorporation of Fire department into a separate legal entity effective 1/1/07.
- (2) Facilities Division was previously included in the Human Resources Department prior to the creation of a new Internal Service fund in 2009.
- (3) Due to the economic downturn, the City froze 82.5 of the total 490 positions in 2009.
- (4) In 2012, the City contracted out the Municipal Court to the King County District Court - resulting in a reduction of 19 positions.



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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Planning										
Commercial permits	337	217	240	248	214	95	112	18	38	24
Commercial construction value (\$1,000's)	\$ 50,269	\$ 77,121	\$ 71,047	\$ 63,658	\$ 63,658	\$ 22,887	\$ 58,896	\$ 8,386	\$ 10,904	\$ 13,219
Residential permits	583	766	604	485	293	165	85	184	229	461
Residential construction value (\$1,000's)	\$ 89,415	\$ 155,551	\$ 112,125	\$ 61,872	\$ 61,872	\$ 27,048	\$ 15,739	\$ 36,602	\$ 43,574	\$ 98,212
Police										
Crimes:										
Arson	45	43	33	36	30	24	19	23	29	27
Aggravated Assault	145	135	168	158	143	154	163	137	148	110
Burglary	596	861	623	686	590	630	590	725	757	983
DUI	189	240	218	158	145	194	193	192	214	171
Homicide	2	1	1	-	1	-	3	3	2	6
Narcotics	506	399	472	493	368	439	440	442	396	383
Rape	32	24	13	24	12	14	13	15	23	23
Robbery	69	91	85	122	92	102	92	79	107	110
Theft	2,082	2,344	2,509	2,216	1,962	2,343	2,362	2,533	2,435	2,415
Theft - motor vehicle	816	802	869	642	672	639	370	569	600	588
Traffic:										
Non-criminal	9,946	7,962	6,850	4,978	6,865	6,794	7,788	7,182	5,400	4,922
Parking	1,821	1,827	2,140	3,965	4,802	3,740	4,026	4,648	3,383	1,946
Fire ⁽²⁾										
Type of response:										
Building	114	107	94	98	-	-	-	-	-	-
Non-building	305	249	198	238	-	-	-	-	-	-
Alarm systems	486	497	474	524	-	-	-	-	-	-
Service	465	493	493	618	-	-	-	-	-	-
Other	917	940	870	979	-	-	-	-	-	-
First Aid	5,155	5,562	5,679	5,616	-	-	-	-	-	-
Parks and Recreation										
Athletic teams	523	507	445	459	479	416	428	439	429	388
Recreation activities	1,708	1,896	2,086	2,069	2,719	2,056	2,335	2,281	3,462	3,833
Golf course rounds ⁽¹⁾	41,753	45,336	47,501	43,454	50,500	54,993	50,572	49,950	45,484	45,704
Senior center visits	31,418	32,103	35,308	35,381	34,427	36,805	41,032	41,350	41,802	40,704
Cultural activities	55	56	56	58	84	84	90	101	127	146
Museum audience served	9,417	10,274	9,340	9,400	12,090	11,921	11,835	12,570	14,119	15,397
Cemetery burials	272	271	277	277	245	289	232	228	273	259

Sources: Various city departments

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

(2) 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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General City										
Total area (square miles)	22.8	22.8	23.3	23.4	23.4	30.0	30.1	30.1	30.2	30.2
Public Works										
Miles of streets	180	180	180	180	186	272	276	283	285	249
Number of streetlights	2,934	3,355	3,410	3,575	3,602	5,074	5,392	5,523	5,581	6,101
Number of traffic signals	n/a	66	72	72	72	83	85	86	89	93
Utilities										
Number of services	12,077	12,144	12,833	12,633	12,954	13,050	13,076	13,372	13,334	13,863
Miles of water mains	252	254	278	279	287	283	293	297	304	314
Miles of sanitary sewers	176	177	177	177	182	205	207	213	213	219
Miles of storm sewers	n/a	185	190	195	197	197	204	226	247	252
Number of fire hydrants	n/a	2,270	2,285	2,300	2,369	2,969	2,998	3,044	3,277	3,308
Public Safety										
Number of fire stations ⁽¹⁾	3	3	3	3	-	-	-	-	-	-
Number of police stations	2	2	2	2	2	2	2	2	2	2
Parks and Recreation										
Total park acreage	535	592	596	596	596	598	602	602	602	630
Number of softball/baseball fields	n/a	19	19	19	19	19	18	18	18	17
Number of soccer/football fields	n/a	3	3	3	3	3	3	3	3	3
Number of playgrounds	n/a	25	29	30	30	32	33	35	35	35

Sources: Various city departments

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

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