

2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014





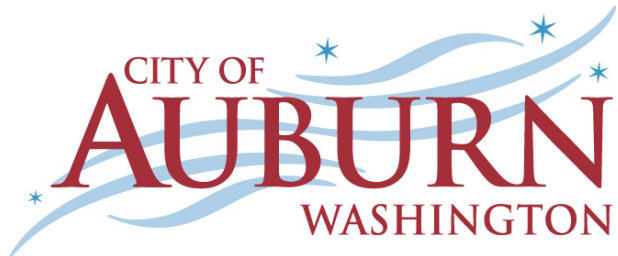
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**CITY OF AUBURN
WASHINGTON**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year January 1, 2014 through December 31, 2014



Prepared by

Finance Department
Shelley Coleman, Finance Director



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2014

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CITY OFFICIALS

MAYOR
Nancy Backus



Claude DaCorsi



John Holman



Wayne Osborne



Bill Pelozo



Yolanda Trout



Rich Wagner

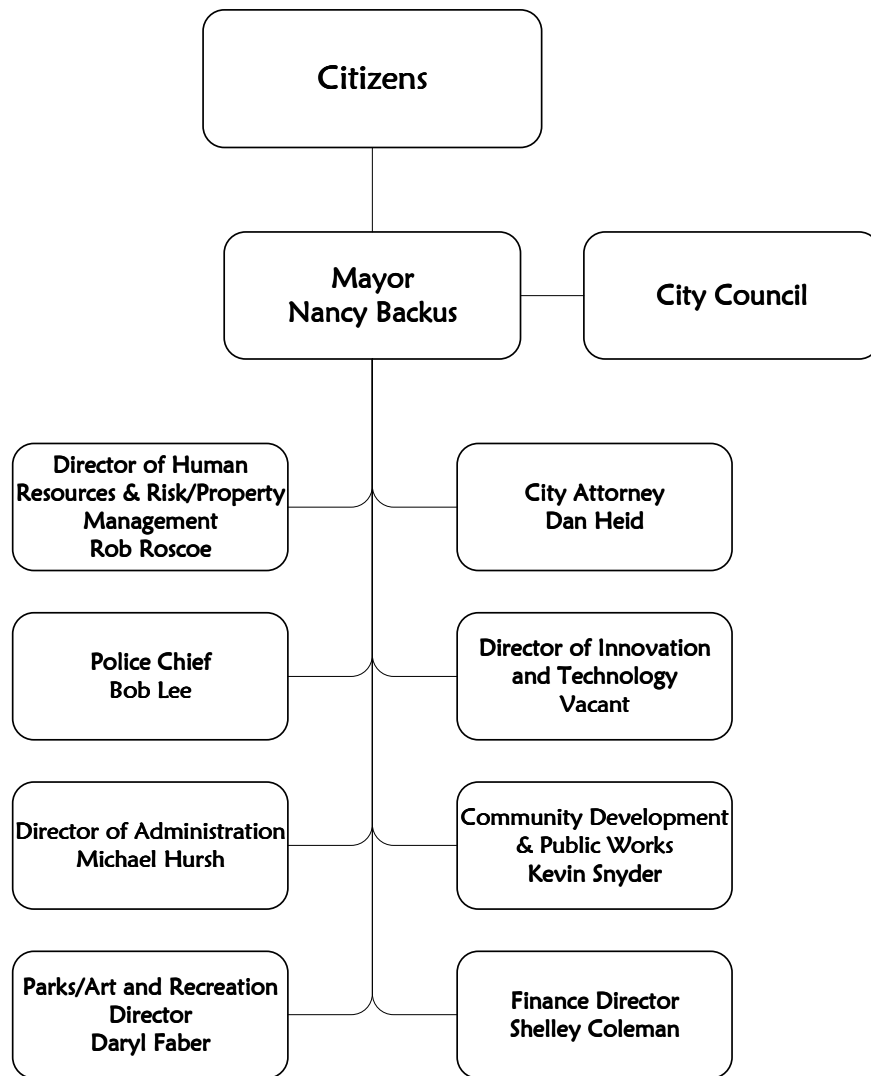


Largo Wales

DEPARTMENT DIRECTORS

Finance Director
City Attorney
Human Resources / Risk & Property Mgmt. Director
Innovation & Technology Director
Parks, Arts and Recreation Director
Community Development & Public Works Director
Police Chief
Administration Director

Shelley Coleman
Dan Heid
Rob Roscoe
Vacant
Daryl Faber
Kevin Snyder
Bob Lee
Michael Hursh



June 26, 2015

Honorable Nancy Backus, 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, 2014. 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, 2014. 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, 2014 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 2013 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 74,630 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 6,100 people in its Auburn facility. Boeing is a worldwide supplier of aircraft and related products. The City's assessed valuation in 2014, for 2015 property tax collection, was \$8.238 billion.

Auburn has enjoyed steady residential and industrial growth over the years as development has moved outward from the major cities. The City currently has a growing array of manufacturing facilities, as well as distribution, wholesaling, and retailing operations. Auburn is home to the MultiCare Auburn Medical Center, which serves the local geographic area and is a major trauma center of the northwest, providing 213 beds and supporting about 1,100 employees. Auburn also serves as a major hub for local and regional warehousing and distribution facilities.

Auburn also continues to experience increases in new businesses and development activity. New businesses continue to call Auburn home and the City's recent efforts to promote economic development and designation as an Innovation Partnership Zone will help to solidify our economic standing. A number of commercial and service industry projects currently in progress, or in the planning stages, contribute to an economic picture of ongoing development. These include the North Creek Business Park, which will become home to over 200,000 square feet of business space; the Green River College Aviation Campus, a downtown facility that will house the college's aviation classes; Merrill Gardens, the second mixed use urban project in the City's downtown; new commercial development at the Outlet Collection; as well as new residential developments.

Other recent significant developments in the City include the issuance of 374 building permits for single family homes and permits for about \$35.8 million in commercial construction, such as projects at the Auburn High School, two buildings at Green River College, seven new warehouses, and the Auburn Marketplace. The addition of these new businesses is anticipated to have positive impacts on available revenue and, as they take hold, will serve to broaden and strengthen the City's economic foundation far into the future.

Since 2005 the City's total assessed property valuation has risen from \$5.1 billion in 2005 to \$7.42 billion in 2014. 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 general sales tax revenues from their high in 2007 of \$17.5 million to \$15.66 million in 2014. The SST impact is estimated to have eliminated approximately \$200,000 a month of sales tax revenue to the City. To lessen the financial impact on cities severely impacted by this legislation, the State of Washington implemented a mitigation plan under which the City of Auburn received approximately \$1.96 million in mitigation payments in 2014.

While the City, similar to other municipalities in the region and nationally, has suffered during the recent economic recession, the local economy is improving. Sales Tax revenue, net of criminal justice and annexation sales tax credits, constitutes approximately twenty five percent of the General Fund budget, increased to \$15.66 million (+7.9%) over the previous year. While the local economy is recovering, the City remains vigilant in its management of expenses and to ensure it lives within its means. The City's staffing level totals 411 full-time equivalents (FTEs).

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, the City's Arterial Street program is partially funded by dedicating 1.0% of utility taxes toward arterial roadway improvements. In addition, the City utilizes sales taxes collected from new construction for the local street program, commonly referred to as the Save Our Streets (SOS) program.

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 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 which included the issuance of new revenue bonds in 2013 and 2015 to support significant new utility construction projects. An interim review of utility rates, in conjunction with the comprehensive planning process, is underway.

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. 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, pension costs, other post-employment benefits (OPEB), 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 Officers 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 175 members) 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. Beginning in 2014 the City created its own worker's compensation program and pool. Prior, the City participated 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 coverage's 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 2014 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 2014. 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 Officers 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, 2013. This was the twenty-seventh 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.

In 2013, the City has also received the Government Finance Officers Association Distinguished Budget Presentation award for its 2013-2014 biennial budget. The City was one of just twenty-one cities in the state to receive both the Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation award for 2013. The City has submitted to GFOA its 2015-2016 biennial budget to determine its eligibility for this award.

C. Acknowledgments

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

Respectfully submitted,



Shelley R. Coleman
Finance Director



Government Finance Officers Association

**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, 2013

Executive Director/CEO



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Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 26, 2015

Mayor and City Council
City of Auburn
Auburn, Washington

REPORT ON THE 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, 2014, 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, 2014, 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 32, information on postemployment benefits other than pensions on page 102 and pension trust fund information on page 101 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. The accompanying information listed as combining financial statements and supplementary information on pages 104 through 146 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Section 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 26, 2015, 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,

A handwritten signature in cursive script that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA



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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 difference between assets plus deferred outflows and liabilities, equal \$637.3 million, an increase of \$13.3 million or 2.1%. Of this, a total of \$517.2 million, or 81.1% 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 \$5.9 million of net position is restricted for purposes of endowment and debt service. Of the remaining \$114.2 million of net position, \$24.6 million is legally restricted, restricted by City policy for specific purposes, or is restricted for use by the City's utilities and \$89.6 million is unrestricted.
- The net increase in government-wide net position during 2014 was \$13.3 million. Of this amount, \$5.36 million was directly related to the increase in City-owned net investment in capital assets, and unrestricted net position increased by \$9.3 million.
- Business-type net position increased by \$5.6 million to \$220.9 million during 2014 as a result of net capital investment related to the City's water, sewer and storm water utilities.
- Governmental fund balances at year-end totaled \$51.2 million. Of this amount, \$20.9 million, or 41%, is unassigned and available to fund ongoing activities. Compared to 2013, total governmental fund balances increased by \$4.3 million. This increase reflects the net effect of a general 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 \$7.9 million. Total outstanding debt, including bonds and loans, totaled \$111.1 million at December 31, 2014. This ending debt balance is a decrease of \$3.2 million from 2013 and is primarily the result of the retirement of bond principal. See note 9 for further information on debt activity during the year.

Other City Highlights:

Parks and Community Development

- Over 400 volunteers were involved in salmon restoration and habitat projects at Fenster Park and the Reddington Levee. These projects involved planting over 6,500 trees to create salmon and wildlife habitat, adding to the aesthetics of the Green River trail and helping protect the City of Auburn from potential floods.
- The Auburn Senior Center experienced program growth of over 28% as more than 40,000 seniors participated in activities that range from whitewater rafting to dominos.
- Clean Sweep-2014 featured over 500 volunteers improving our community. Projects included the construction of a new playground at Indian Tom Park, as well as beautification projects downtown at Brannan Park and the Historic Mary Olson Farm.
- The Auburn Farmers Market celebrated its 6th season with 65 different vendors and total attendance of over 23,000. The "market" was recognized as one of the top three Farmers Markets in Washington State.
- Completed the legislative process for adopting regulations that govern marijuana growing, processing, and retail uses.
- Initiated and completed the Auburn visioning process "Imagine Auburn" which obtained feedback from approximately 1,000 residents to be used in the development of an updated City Comprehensive Plan.
- Facilitated the processing of 374 permits for single family homes and approximately \$35.8 million in commercial construction. Notable projects include Auburn High School, Trek mixed use development, Green River College Trades building, Green River College Student Life building, seven new warehouses, and Auburn Marketplace.
- Completed 9,123 building inspections for Auburn and provided building services to Algona and Enumclaw.

Public Works

- Completed pavement patching, chip seal treatments and overlay work to preserve arterial/collector and local roadways throughout the City.
- Completed repair and replacement of existing sidewalks at various locations around Downtown and the Auburn High School.
- Installed control structures on existing storm systems as needed to comply with NPDES permit requirements.
- Constructed safety improvements at a number of signals throughout the City.
- Completed the required monitoring and maintenance of the wetland mitigation sites for the S. 277th Grade Separation Project.
- Updated and replaced the existing pump station in the Academy water service area in order to meet fire flow demands.
- Provided safety improvements at the intersection of 8th Street SE and 104th Avenue SE, including signal modifications and sight distance improvements.
- Completed the SCADA System security site improvements at various utility locations throughout the City.
- Provided field technical assistance throughout the year to property owners regarding a variety of environmental issues, including tree maintenance/removal, slope stability, and best practices for protecting environmental critical areas such as streams and wetlands.
- Worked in partnership with the U.S. Army Corps of Engineers to complete the design, permitting, and real estate acquisition for the Mill Creek Wetland 5K Ecosystem Restoration Project.

- Issued 13 floodplain development permits and exemptions, and provided general assistance to staff and the public regarding floodplain-related issues, including NFIP requirements, floodplain mapping, and SWIF planning for the Lower Green River.
- Conducted public environmental volunteer events, including Auburn's 1st Annual Earth Day project at West Hills Lake, riparian restoration maintenance at the Reddington Levee, and wetland restoration maintenance in the Auburn Environmental Park.

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

These statements report the City's net position, and changes in them. The net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The City does not report deferred inflows of resources because it had no items requiring recognition as deferred inflows of resources in 2014.

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 Financial Statements are presented in conformity with the Governmental Accounting Standards Board (GASB), which establishes GAAP for governmental entities. The City adopted the provisions of Statement No. 67 – Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25, Statement No. 69 – Government Combinations and Disposals of Government Operations; and Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. There is no material impact to the City of implementing these standards.

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, deferred outflows of resources, long-term obligations and deferred inflows of resources, (which there are none to report). 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 an 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 directly following the governmental funds' Balance Sheet, 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 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 and cemetery.

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, the cost of employees who are affected by occupational injury or illness, 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 44 and 45, 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 2013 to 2014 show an increase in total net position of \$13.3 million. Following is a condensed version of the government-wide statement of net position with a comparison to 2013:

STATEMENT OF NET POSITION
Comparative Analysis of 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/14	As of 12/31/13	As of 12/31/14	As of 12/31/13	As of 12/31/14	As of 12/31/13
Current and other assets	\$ 107,838,776	\$ 101,729,060	\$ 59,065,425	\$ 56,821,892	\$ 166,904,201	\$ 158,550,952
Capital assets, net of accumulated depreciation	383,675,820	379,730,745	210,726,930	212,902,959	594,402,750	592,633,704
Total assets	491,514,596	481,459,805	269,792,355	269,724,851	761,306,951	751,184,656
Deferred Outflows of Resources	22,344	27,929	41,546	49,856	63,890	77,785
Long-term liabilities	64,972,946	64,297,074	39,409,343	45,806,167	104,382,289	110,103,241
Other liabilities	10,180,595	8,548,606	9,485,952	8,628,868	19,666,547	17,177,474
Total liabilities	75,153,541	72,845,680	48,895,295	54,435,035	124,048,836	127,280,715
Net position						
Net investment in capital assets	348,080,505	346,195,793	169,098,916	165,619,867	517,179,421	511,815,660
Restricted for:						
Capital Projects	14,012,967	12,517,220	9,395,125	10,453,443	23,408,092	22,970,663
Nonexpendable Permanent Endowment	1,574,148	1,536,316	-	-	1,574,148	1,536,316
Debt Service	34,856	45,788	4,307,307	5,973,355	4,342,163	6,019,143
Tourist Promotion	166,896	131,851	-	-	166,896	131,851
Drug Investigation & Enforce	539,236	710,147	-	-	539,236	710,147
Comm Dev Block Grant	44,904	37,519	-	-	44,904	37,519
Central Business Distr Dev	31,321	41,068	-	-	31,321	41,068
Rate Stabilization	-	-	413,178	412,791	413,178	412,791
Unrestricted	51,898,566	47,426,352	37,724,080	32,880,216	89,622,646	80,306,568
Total net position	\$ 416,383,399	\$ 408,642,054	\$ 220,938,606	\$ 215,339,672	\$ 637,322,005	\$ 623,981,726

The City's net position increased by \$13.3 million, or 2.1%. The largest component of the City's net position, \$517.2 million, or 81.1%, 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, \$51.9 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, \$37.7 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 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 cemetery.

Restricted governmental fund net position is \$16.4 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 \$5.36 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:

CHANGES IN NET POSITION
Comparative Analysis of 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 11,335,041	\$ 9,824,305	\$ 60,332,817	\$ 57,533,735	\$ 71,667,858	\$ 67,358,040
Operating grants and contributions	1,333,652	1,967,252	111,025	90,361	1,444,677	2,057,613
Capital grants and contributions	6,001,230	5,955,062	5,070,810	5,483,344	11,072,040	11,438,407
General revenues						
Property taxes	15,867,838	14,490,790	-	-	15,867,838	14,490,790
Sales taxes	19,744,684	18,335,157	-	-	19,744,684	18,335,157
Interfund utility taxes	4,068,667	3,892,250	-	-	4,068,667	3,892,250
Admission & utility taxes	9,040,015	9,156,636	-	-	9,040,015	9,156,636
Excise taxes	2,888,797	2,555,850	-	-	2,888,797	2,555,850
Other taxes	4,601,925	4,429,090	-	-	4,601,925	4,429,090
Investment earnings	105,117	121,687	51,261	68,400	156,378	190,087
Miscellaneous revenue	178,482	(4,625,627)	2,700,233	763,717	2,878,715	(3,861,911)
Total revenues	75,165,448	66,102,452	68,266,146	63,939,557	143,431,594	130,042,009
Expenses						
General government	8,363,427	7,508,112	-	-	8,363,427	7,508,112
Public safety	27,144,153	27,423,015	-	-	27,144,153	27,423,015
Transportation	16,150,877	14,861,834	-	-	16,150,877	14,861,834
Physical environment	2,976,461	2,699,301	-	-	2,976,461	2,699,301
Culture and recreation	11,094,524	9,184,289	-	-	11,094,524	9,184,289
Economic environment	2,751,869	2,346,025	-	-	2,751,869	2,346,025
Health and human services	622,374	510,285	-	-	622,374	510,285
Interest on long-term debt	3,615,211	3,795,024	-	-	3,615,211	3,795,024
Water	-	-	11,992,944	11,893,094	11,992,944	11,893,094
Sanitary sewer	-	-	23,026,216	21,584,215	23,026,216	21,584,215
Storm drainage	-	-	7,668,072	7,726,467	7,668,072	7,726,467
Solid waste	-	-	12,760,313	12,535,078	12,760,313	12,535,078
Golf course	-	-	-	1,933,597	-	1,933,597
Other business-type activities	-	-	1,924,874	1,857,252	1,924,874	1,857,252
Total expenses	72,718,896	68,327,885	57,372,419	57,529,703	130,091,315	125,857,588
Increase in net position before transfers	2,446,552	(2,225,433)	10,893,727	6,409,854	13,340,279	4,184,421
Transfers	5,294,793	(218,230)	(5,294,793)	218,230	-	-
Change in net position	7,741,345	(2,443,663)	5,598,934	6,628,084	13,340,279	4,184,421
Net Position, January 1, as Previously Reported	408,642,054	411,308,460	215,339,672	208,868,303	623,981,726	620,176,763
Change in Accounting Principle	-	(222,743)	-	(156,715)	-	(379,458)
Net Position, January 1, as Restated	408,642,054	411,085,717	215,339,672	208,711,588	623,981,726	619,979,305
Net position, December 31	\$ 416,383,399	\$ 408,642,054	\$ 220,938,606	\$ 215,339,672	\$ 637,322,005	\$ 623,981,726

Governmental activities contributed \$7.7 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 6.3% to \$56.2 million between 2013 and 2014, compared to an increase of 4.4% between 2012 and 2013:

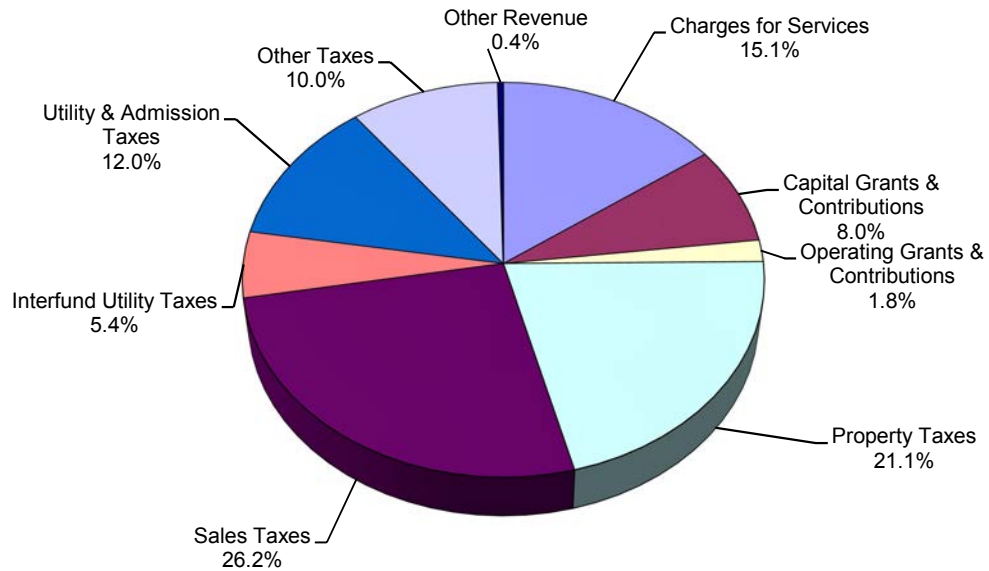
- Property tax revenue increased \$1.4 million or 9.5%.
- Sales tax collections increased \$1.4 million or 7.7%, reflecting continued improvement in the economy.
- Utility and admission tax revenue decreased by \$117,000 or 1.3%.
- Excise tax revenue increased by \$333,000 or 13.0%. This change is due primarily to increased real estate excise taxes (REET) resulting from an increase in the number and size of real estate transactions.

Investment earnings fell by \$16,570 in governmental activities and \$17,139 in business-type activities for a government-wide decline of \$33,709 or 17.7%. These declines reflect the continued low interest rates. Government-wide miscellaneous revenue increased by \$6.7 million to \$2.9 million.

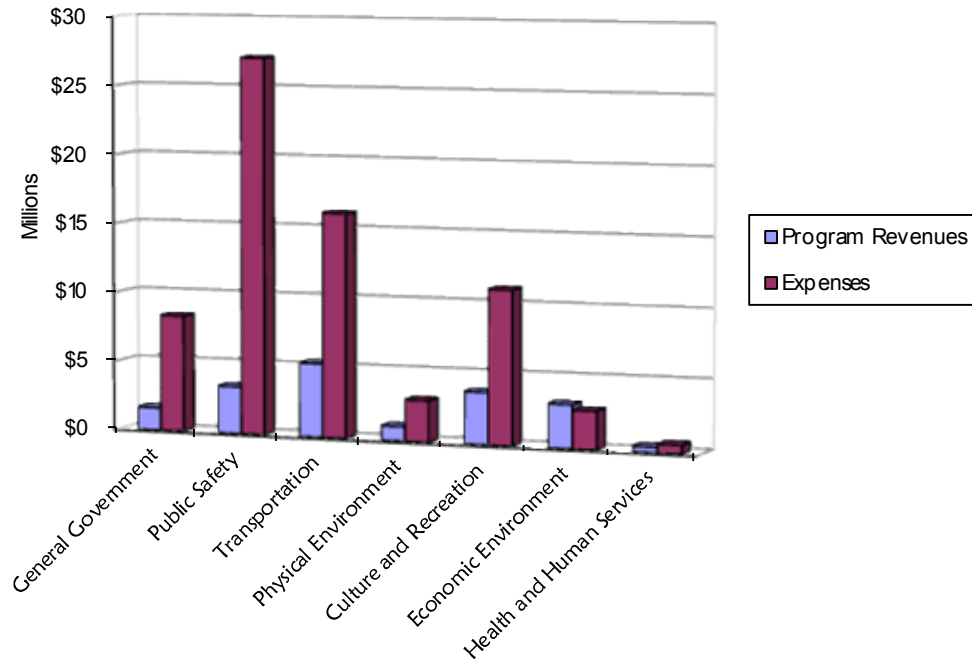
Government-wide expenses increased by approximately \$4.2 million or 3.4% and were largely attributable to the net change due to internal service fund consolidations, increased wastewater treatment charges from King County, and general increases in operating expenses such as salaries and wages.

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 \$220.9 million, an increase of 2.6%. Key components of this increase include:

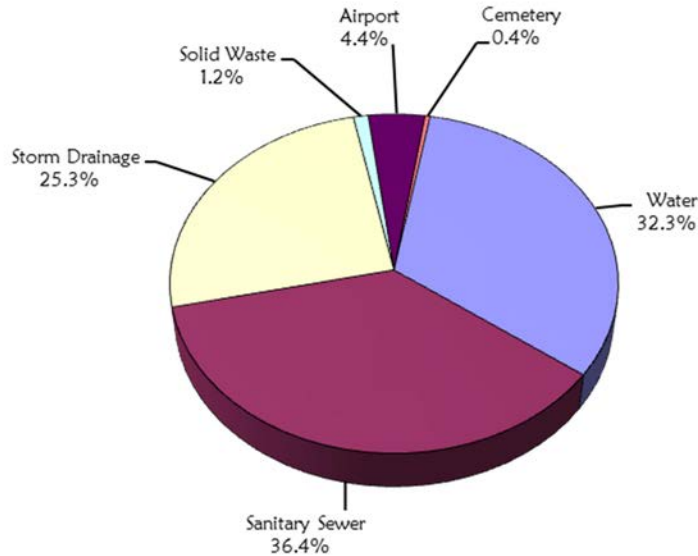
- Business-type revenues increased \$4.3 million to \$68.3 million due to increases in charges for services and miscellaneous revenues, which were offset by decreases in capital grants and investment earnings.
- Income (loss) before capital contributions and transfers amounted to:

Water fund:	\$	1,491,513
Sanitary sewer fund:		504,745
Storm fund:		2,817,642
Solid waste fund:		962,202
Golf course:		(4,957,001)
Non-major funds:		<u>325,060</u>
	\$	1,144,161

- Net transfers totaled (\$337,792).

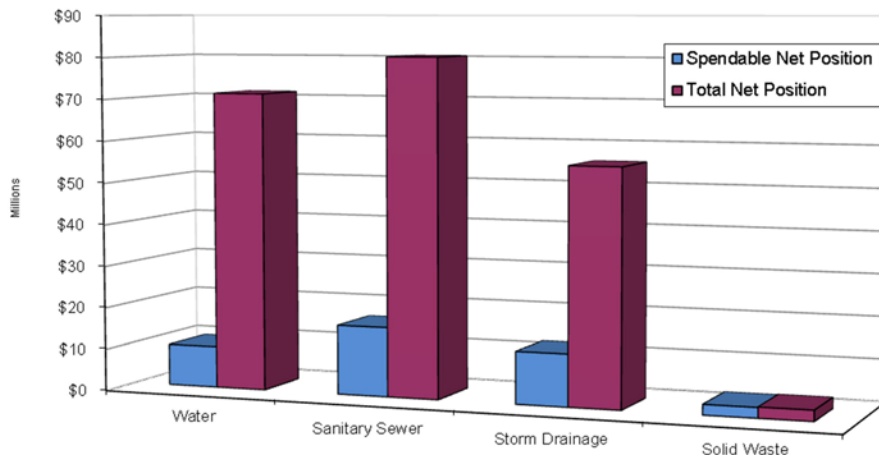
The following chart shows the relative net position balances for each business-type fund:

Business Type Net Position – By Fund

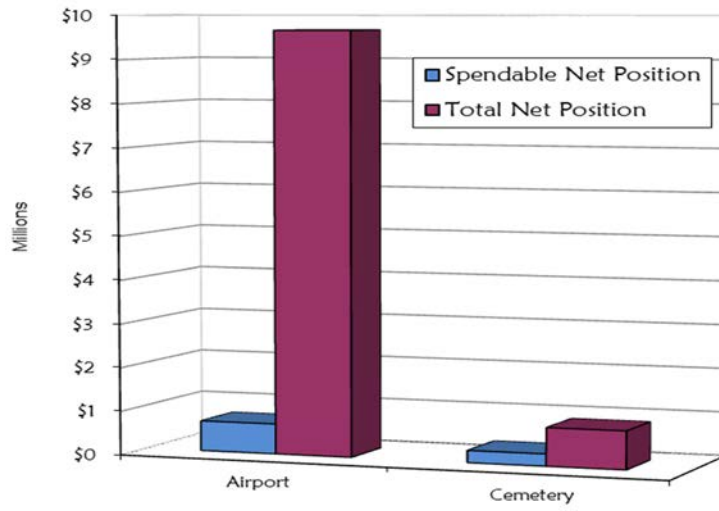


The majority of net position in the City’s enterprise funds relate to capital asset infrastructure, such as water and sewer mains and the airport runway. As such, most of the net position is not available to support the ongoing expenses of the funds. During 2014, the Golf Fund was reclassified from a proprietary fund and reported in the General Fund. The capital assets and outstanding debt are now included in the governmental activities. 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**

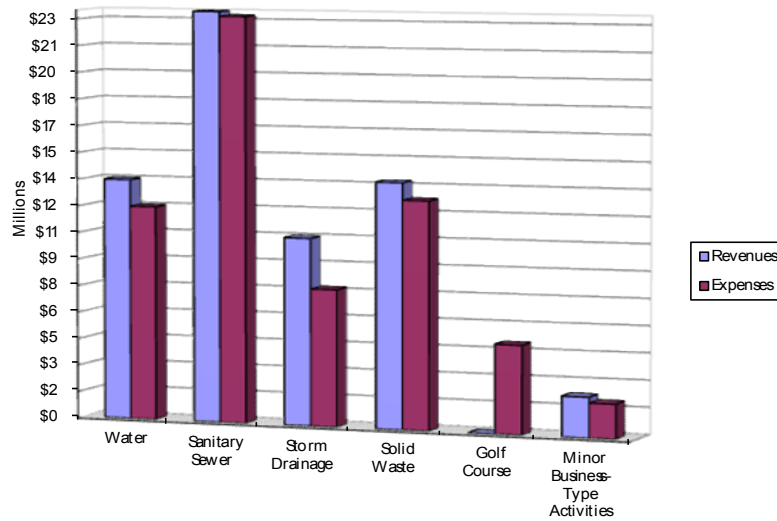


Comparison of Total Net Position to Spendable Net Position Other Enterprise Funds

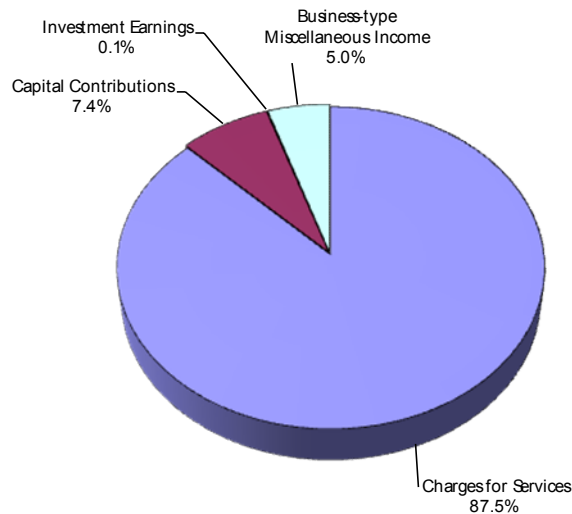


The following first chart depicts the revenues and expenses for business-type funds, while the second shows the various sources of business-type revenue. During 2014, the Golf Fund was reclassified from a proprietary fund and reported in the General Fund. The capital assets and outstanding debt are now included in the governmental activities. The removal of capital assets and outstanding debt from the golf fund was treated as a non-operating expense of \$4,957,001. On the government-wide statement, the non-operating expense was reclassified as transfers in and out between governmental and business-type activities for the same amount.

**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, 2014, the City’s governmental funds had combined fund balances of \$51.2 million, an increase of \$4.3 million or 9.1% over the previous year. This increase is primarily due to increases in fund balances for the General fund, Capital Improvement fund, and other governmental funds. The following table shows the changes in fund balance between 2013 and 2014.

Changes in Fund Balance - By Fund

Fund	2014	2013	Difference
General fund	\$ 24,959,818	\$ 23,644,516	\$ 1,315,302
Arterial street fund	2,781,100	2,435,922	345,178
Capital improvement fund	9,680,898	9,102,927	577,971
Mitigation fund	4,900,512	4,640,767	259,745
Cemetery endowment fund	1,669,648	1,629,564	40,084
All other government funds	7,163,470	5,430,224	1,733,246
Total	\$ 51,155,446	\$ 46,883,920	\$ 4,271,526

Of the government funds’ total fund balances, \$20.9 million is unassigned. Nonspendable, restricted, committed and assigned fund balances total \$30.2 million. Of this \$30.2 million, \$10.8 million is earmarked for capital projects, \$13.7 million is in special revenue funds that are earmarked for specific purposes and \$1.7 million is for endowment.

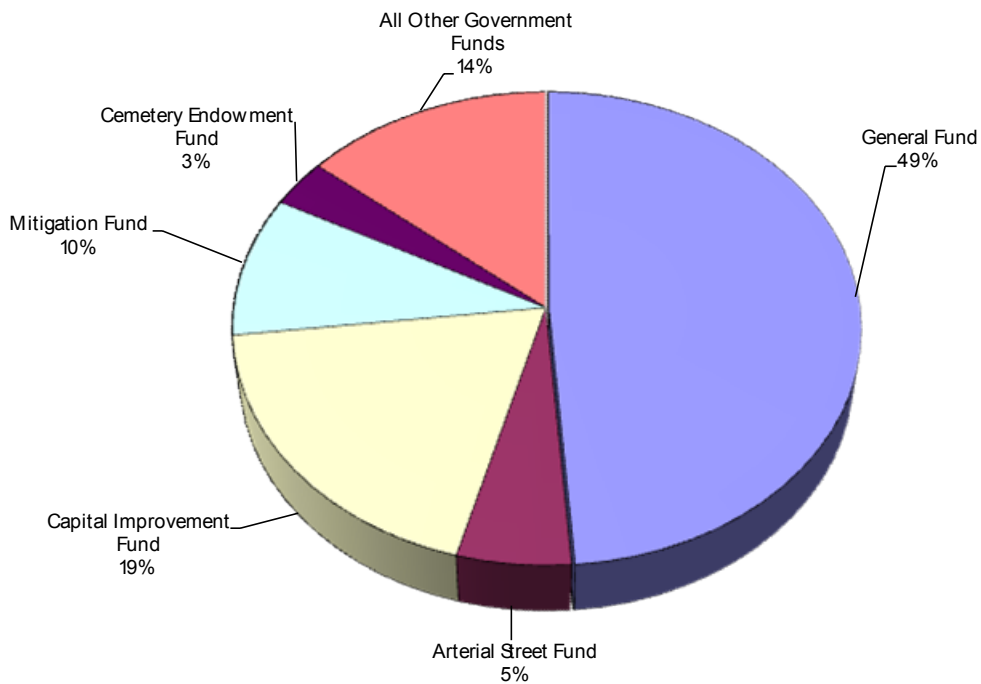
The general fund is the primary operating fund of the City. All receipts and payments of ordinary City operations are processed through it unless they are required to be accounted for in another fund. At the end of 2014, the general fund had a fund balance of \$25.0 million, \$4.0 million of which is assigned, and \$20.9 million is unassigned.

Other funds that had significant fund balances include:

- \$10.8 million in the capital improvement projects fund; used for various governmental capital asset projects.
- \$4.9 million in the mitigation fund; used to collect fees from new development to mitigate the cost of new roads and other infrastructure.
- \$1.7 million in the cemetery endowed care fund; used for maintenance of the cemetery.

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

Governmental Funds – Fund Balances

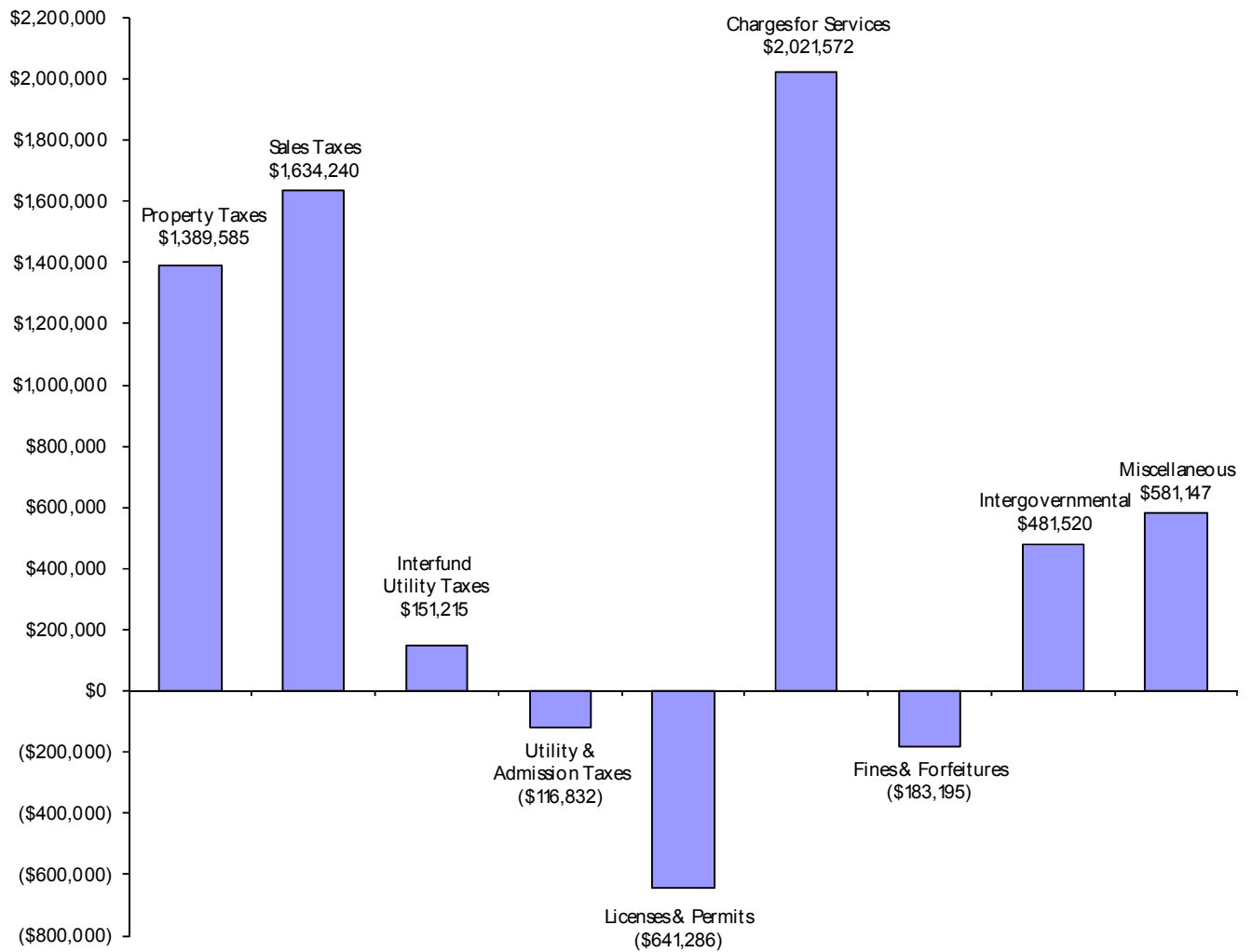


The general fund balance of \$25.0 million increased by \$1.3 million from the prior year. Revenues increased with the gradual improvement in the local and regional economic conditions, and expenses increased slightly over 2014 as the City continues its vigilance in monitoring general expenditure activity.

General fund revenue increased by \$5.3 million, sources of which are shown in the chart below. Property taxes increased \$1.4 million and sales taxes increased \$1.6 million. Licenses and Permits decreased by \$641,000 and Charges for Services increased by \$2.0 million, primarily due to the transfer of Golf operations to the General fund. Building permit and Plan Check activity decreased slightly from 2013 levels while Intergovernmental revenues increased by \$481,000. Fines and

Forfeitures decreased by \$183,000, reflecting a continued decline in revenue collections from fines related to the Redflex red light traffic cameras, which were discontinued in June 2014.

2014 General Fund Revenue Increases – By Source



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 2013 biennial budget (for years 2013 & 2014) included:

- Budgeted General Fund expenditures and transfers out increased from \$54.5 million to \$60.4 million. Significant changes include the continuation of five new staff positions in the Police Department (approved in 2013), continuation of labor agreements with the City's labor groups (also approved in 2013), and a transfer of the Golf Course operations to the Parks Department in the General Fund.

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

- Actual General Fund revenues totaled \$58.9 million and exceeded budget by \$3.0 million. Significant areas of variance include sales taxes, which exceeded budget by \$1.8 million reflecting continued improvement in the local economy; licenses and permits exceeded budget by \$500,000 primarily the result of development service fees and building permits; and charges for services exceeded budget by \$689,000 reflecting higher-than-expected development activity.
- Actual General Fund expenditures totaled \$55.1 million and were under-budget by \$4.9 million. Departments experienced savings due to continued vigilance in monitoring city-wide expenditures. Significant areas of under-expenditure include staff vacancies, reduced costs of medical benefits and employee pensions, and reduced court and jail costs.

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, 2014 totaled \$594.4 million (net of accumulated depreciation), an increase of \$1.8 million from 2013. 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 \$3.6 million in utility infrastructure assets and \$1.8 million in governmental infrastructure assets.
- \$8.1 million was spent by proprietary funds on construction projects during the year.
- Purchases of government land resulted in an increase of \$4.0 million.
- \$8.5 million was spent by governmental funds on construction projects during the year. Some of the larger projects in the governmental funds include:
 - \$1.6 million on 2014 Local Street Improvement Program
 - \$0.9 million on Fenster Levee setback
 - \$0.6 million on AWS Dogwood St. SE to Fir St. SE
 - \$0.6 million on AWS Fir St. SE to Hemlock St. SE
 - \$0.5 million on City Hall remodel

A summary of the City’s capital assets follows:

Summary of Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/14	As of 12/31/13	As of 12/31/14	As of 12/31/13	As of 12/31/14	As of 12/31/13
Land	\$ 107,948,445	\$ 103,974,530	\$ 12,276,187	\$ 14,505,063	\$ 120,224,632	\$ 118,479,593
Building	49,309,381	45,933,742	2,047,005	6,218,212	51,356,386	52,151,954
Site improvements	8,792,961	7,207,075	181,141,467	170,249,102	189,934,428	177,456,177
Equipment	6,946,073	6,628,400	299,545	419,207	7,245,618	7,047,607
Intangibles	501,657	656,220	5,196,600	5,196,600	5,698,257	5,852,820
Infrastructure	201,159,595	210,343,717	-	-	201,159,595	210,343,717
Construction in progress	9,017,708	4,987,061	9,766,126	16,314,775	18,783,834	21,301,836
	<u>\$ 383,675,820</u>	<u>\$ 379,730,745</u>	<u>\$ 210,726,930</u>	<u>\$ 212,902,959</u>	<u>\$ 594,402,750</u>	<u>\$ 592,633,704</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 net bonded debt outstanding of \$90.2 million. Of this amount, \$25.1 million is due to other governments, \$25.1 million is general obligation bonds, and \$31.4 million is revenue bonds for the water, sewer and storm utilities. The City currently maintains a rating of Aa3 with Moody’s and a rating of AA+ with Standard & Poor’s for its general obligation debt.

The following schedule summarizes the City’s bonded debt:

Summary of Bonded Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 30,729,536	\$ 1,305,464	\$ 32,035,000
Revenue bonds	-	31,430,000	31,430,000
Due to other governments	25,137,800	-	25,137,800
Premiums on Bond Issues	168,882	1,409,557	1,578,439
	<u>\$ 56,036,218</u>	<u>\$ 34,145,021</u>	<u>\$ 90,181,239</u>

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

Other Long-Term Debt

Public Works Trust Fund loans	\$ 11,808,711
Capital Lease	\$ 435,068
Employee leave benefits	2,463,411
Other Post Employment Benefits	6,211,464
	<u>\$ 20,918,654</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

Over the past year, economic conditions continued to improve locally. Real estate activity improved and real property values reversed a four-year downward trend, retail sales continued to increase, and the rate of unemployment in the County and City remained at pre recessionary levels. While general economic conditions have improved over the past two years, the City is still recovering from the impacts of the recession and several areas at the Federal and State levels of government continue to cast a long shadow. These include the ongoing disagreements within the United States Congress on finding a long-term solution to funding governmental services and, at the State level, long-term fiscal challenges remain as the State will need to address holes left by one-time budget fixes in the current budget and the need to fund \$1 billion to meet basic education mandates. In 2014, State budget challenges resulted in continuing to fund streamlined sales tax revenue distributions to cities at reduced levels and the diversion of local liquor revenues. Such actions may likely recur in the future as the State continues to grapple with its financial situation.

As a result of these challenges, the City remains cautious and as a result continues to vigilantly monitor and control its expenses. In the longer-term, the economic outlook for the City is positive. The City has seen significant private investments in the community, including development within several blocks in downtown, which will serve as a catalyst for future redevelopment, construction of several new buildings and businesses in the City including the St. Francis Medical Pavilion, expansion of facilities including Orion Industries and Plygen Pacific Windows, as well as new residential developments.

Recent significant development in the City includes the issuance of 374 building permits for residential homes and permits for about \$35.8 million in commercial construction, such as projects as the Auburn High School, two buildings at Green River College, seven new warehouses, and the Auburn Marketplace.

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 general economic conditions have improved, short-term challenges to the City's overall financial condition remain. These challenges include a slowing in the pace of economic growth 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 improved economic conditions 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, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents (Note 3)	\$ 48,071,228	\$ 34,131,449	\$ 82,202,677
Investments (Note 3)	2,236,219	999,190	3,235,409
Receivables			
Taxes	348,381	-	348,381
Customer Accounts	327,367	6,392,977	6,720,344
Other Receivables	2,139,366	956	2,140,322
Special Assessments	23,547	-	23,547
Due From Other Governmental Units (Note 6)	2,944,937	629,739	3,574,676
Internal Balances	(77,228)	77,228	-
Materials and Supplies Inventory	216,200	175,117	391,317
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents (Note 3)	12,958,257	15,922,869	28,881,126
Due From Other Governmental Units (Note 6)	1,235,847	-	1,235,847
Permanently Restricted:			
Cash and Cash Equivalents (Note 3)	1,574,148	-	1,574,148
Prepays	874,965	-	874,965
Long-Term Contracts and Notes	31,370	735,900	767,270
Net Pension Asset (Note 10)	473,761	-	473,761
Investment in Joint Ventures (Note 15)	34,460,411	-	34,460,411
Depreciable Capital Assets (Net of Accumulated Depreciation) (Note 7)	266,709,667	183,488,017	450,197,684
Non-Depreciable Capital Assets (Note 7)	116,966,153	27,238,913	144,205,066
Total Assets	491,514,596	269,792,355	761,306,951
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow from Bond Refunding	22,344	41,546	63,890
Total Deferred Outflow of Resources	22,344	41,546	63,890
LIABILITIES:			
Accounts Payable	5,722,149	4,847,325	10,569,474
Other Liabilities Payable	479,320	-	479,320
Payable From Restricted Assets:			
Accrued Interest	-	1,655,501	1,655,501
Deposits	-	151,759	151,759
Unearned Revenue	92,889	-	92,889
Bonds and Other Debt Payable:			
Due Within One Year (Note 9)	3,026,087	2,831,367	5,857,454
Due in More Than One Year (Note 9)	34,483,832	39,409,343	73,893,175
Due to Other Governmental Units:			
Due Within One Year (Note 9)	860,150	-	860,150
Due in More Than One Year (Note 9)	24,277,650	-	24,277,650
Net OPEB Obligation (Note 11)	6,211,464	-	6,211,464
Total Liabilities	75,153,541	48,895,295	124,048,836
NET POSITION			
Net Investment in Capital Assets	348,080,505	169,098,916	517,179,421
Restricted:			
Capital Projects	14,012,967	9,395,125	23,408,092
Nonexpendable Permanent Endowment	1,574,148	-	1,574,148
Debt Service	34,856	4,307,307	4,342,163
Tourist Promotion	166,896	-	166,896
Drug Investigation and Enforcement	539,236	-	539,236
Community Development Block Grant Program	44,904	-	44,904
Central Business District Development	31,321	-	31,321
Rate Stabilization	-	413,178	413,178
Unrestricted	51,898,566	37,724,080	89,622,646
Total Net Position	\$ 416,383,399	\$ 220,938,606	\$ 637,322,005

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, 2014

	Expenses	Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
<u>FUNCTIONS / PROGRAMS:</u>				
Primary Government				
Governmental Activities:				
General Government	\$ 8,363,427	\$ 1,160,198	\$ 83,987	\$ 378,141
Public Safety	27,144,153	2,273,903	1,124,714	3,292
Transportation	16,150,877	1,660,270	4,989	3,650,410
Physical Environment	2,976,461	276,632	35,384	724,972
Culture and Recreation	11,094,524	2,876,185	68,351	808,245
Economic Environment	2,751,869	3,087,853	11,826	44,640
Health and Human Resources	622,374	-	4,401	391,530
Interest on Long-Term Debt	3,615,211	-	-	-
	<u>72,718,896</u>	<u>11,335,041</u>	<u>1,333,652</u>	<u>6,001,230</u>
Business-Type Activities				
Water	11,992,944	13,123,260	-	1,283,277
Sanitary Sewer	23,026,216	22,989,712	-	2,337,680
Storm Drainage	7,668,072	8,967,685	-	1,449,853
Solid Waste	12,760,313	13,609,724	111,025	-
Nonmajor Business-Type Activities	1,924,874	1,642,436	-	-
	<u>57,372,419</u>	<u>60,332,817</u>	<u>111,025</u>	<u>5,070,810</u>
Total Primary Government	\$ 130,091,315	\$ 71,667,858	\$ 1,444,677	\$ 11,072,040
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, January 1				
Net Position, December 31				

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activity	Total
\$ (6,741,101)	\$ -	\$ (6,741,101)
(23,742,244)	-	(23,742,244)
(10,835,208)	-	(10,835,208)
(1,939,473)	-	(1,939,473)
(7,341,743)	-	(7,341,743)
392,450	-	392,450
(226,443)	-	(226,443)
(3,615,211)	-	(3,615,211)
<u>(54,048,973)</u>	<u>-</u>	<u>(54,048,973)</u>
-	2,413,593	2,413,593
-	2,301,176	2,301,176
-	2,749,466	2,749,466
-	960,436	960,436
-	(282,438)	(282,438)
-	<u>8,142,233</u>	<u>8,142,233</u>
<u>\$ (54,048,973)</u>	<u>\$ 8,142,233</u>	<u>\$ (45,906,740)</u>
\$ 15,867,838	\$ -	\$ 15,867,838
19,744,684	-	19,744,684
4,068,667	-	4,068,667
9,040,015	-	9,040,015
2,888,797	-	2,888,797
4,601,925	-	4,601,925
105,117	51,261	156,378
136,585	2,377,362	2,513,947
4,065	322,871	326,936
37,832	-	37,832
5,294,793	(5,294,793)	-
<u>61,790,318</u>	<u>(2,543,299)</u>	<u>59,247,019</u>
7,741,345	5,598,934	13,340,279
<u>408,642,054</u>	<u>215,339,672</u>	<u>623,981,726</u>
<u>\$ 416,383,399</u>	<u>\$ 220,938,606</u>	<u>\$ 637,322,005</u>



MAJOR GOVERNMENTAL FUNDS

General Fund

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

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

Arterial Street Fund

This fund is supported by the State 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, 2014

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 21,514,534	\$ 2,712,406	\$ 9,551,858	\$ 14,589,330	\$ 48,368,128
Investments (Note 3)	2,236,219	-	-	-	2,236,219
Receivables:					
Taxes	348,381	-	-	-	348,381
Customer Accounts	81,827	155,375	-	-	237,202
Other Receivables	1,816,962	-	-	319,710	2,136,672
Special Assessments	-	-	-	23,547	23,547
Interfund Receivable (Note 5)	-	-	200,000	-	200,000
Long-Term Notes and Contracts	-	-	31,370	-	31,370
Due From Other Governmental Units (Note 6)	2,939,555	363,550	27,837	844,460	4,175,402
Prepays	127	-	-	-	127
Total Assets	28,937,605	3,231,331	9,811,065	15,777,047	57,757,048
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Current Payables	2,462,002	388,711	98,798	1,902,375	4,851,886
Customer Deposits	203,265	-	-	-	203,265
Other Liabilities Payable	1,275	-	-	117,495	118,770
Unearned Revenue	-	61,520	31,369	-	92,889
Total Liabilities	2,666,542	450,231	130,167	2,019,870	5,266,810
Deferred Inflow of Resources:					
Unavailable Revenue-Special Assessments	-	-	-	23,547	23,547
Unavailable Revenue-Other	1,311,245	-	-	-	1,311,245
Total Deferred Inflow of Resources	1,311,245	-	-	23,547	1,334,792
Fund Balances: (Note 1)					
Nonspendable	127	-	-	-	127
Nonspendable Permanent Endowment	-	-	-	1,574,148	1,574,148
Restricted	-	2,781,100	5,882,743	6,166,337	14,830,180
Committed	-	-	-	5,066,181	5,066,181
Assigned	4,045,598	-	3,798,155	926,964	8,770,717
Unassigned	20,914,093	-	-	-	20,914,093
Total Fund Balances:	24,959,818	2,781,100	9,680,898	13,733,630	51,155,446
Total Liabilities, Deferred Inflows and Fund Balances	\$ 28,937,605	\$ 3,231,331	\$ 9,811,065	\$ 15,777,047	\$ 57,757,048

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

City of Auburn, Washington
RECONCILIATION OF BALANCE SHEET OF GOVERNMENT FUNDS TO THE STATEMENT OF NET POSITION
 December 31, 2014

Total governmental fund balances as reported on this statement		\$ 51,155,446
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 governmental funds.		377,236,448
Other non-current assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Investment in Joint Ventures	9,322,611	
Prepays	874,838	
Interest receivable on investments	2,694	
Net pension asset	473,761	10,673,904
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the governmental funds.		
Unearned revenue beyond the city's 30-day measurable and available period	1,311,245	
Unavailable revenue reported for special assessments	23,547	1,334,792
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.		19,655,693
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and loans payable	(35,448,777)	
Premium on Bonds Payable	(168,882)	
Deferred amount on bond refunding	22,344	
Interest payable	(156,985)	
Net other postemployment obligations	(6,211,464)	
Compensated absences payable	(1,709,120)	(43,672,884)
Net position of governmental activities as reported on the statement of net position		\$ 416,383,399

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, 2014

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 15,805,041	\$ -	\$ -	\$ 128,297	\$ 15,933,338
Retail Sales & Use	17,749,385	-	-	1,995,299	19,744,684
Interfund Utility	3,487,429	-	-	581,238	4,068,667
Utility	7,592,611	-	-	1,447,404	9,040,015
Excise	319,377	-	2,469,637	99,783	2,888,797
Other	-	-	-	42,988	42,988
Licenses and Permits	2,400,662	-	-	-	2,400,662
Intergovernmental	5,197,810	2,488,843	-	1,693,046	9,379,699
Charges for Services	4,165,901	56,371	-	1,495,440	5,717,712
Fines and Forfeitures	1,258,408	-	-	-	1,258,408
Special Assessments	-	-	-	472,800	472,800
Investment Earnings	60,101	2,252	34,239	39,117	135,709
Miscellaneous	901,400	114,839	473,659	201,376	1,691,274
Total Revenues	<u>58,938,125</u>	<u>2,662,305</u>	<u>2,977,535</u>	<u>8,196,788</u>	<u>72,774,753</u>
EXPENDITURES:					
Current:					
General Government	7,712,018	-	-	-	7,712,018
Security of Persons and Property	26,964,270	-	-	300,024	27,264,294
Physical Environment	3,086,738	-	-	-	3,086,738
Transportation	3,272,108	3,601,691	-	2,105,784	8,979,583
Economic Environment	2,222,779	-	-	561,119	2,783,898
Health and Human Services	626,681	-	-	-	626,681
Culture and Recreation	9,517,324	-	240,000	1,786	9,759,110
Debt Service:					
Principal	834,803	196,005	-	1,673,660	2,704,468
Interest and Other Costs	1,077,552	17,897	-	1,796,832	2,892,281
Capital Outlay	8,102	-	959,331	2,427,453	3,394,886
Total Expenditures	<u>55,322,375</u>	<u>3,815,593</u>	<u>1,199,331</u>	<u>8,866,658</u>	<u>69,203,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,615,750</u>	<u>(1,153,288)</u>	<u>1,778,204</u>	<u>(669,870)</u>	<u>3,570,796</u>
OTHER FINANCING SOURCES (USES):					
Sales of Capital Assets	17,458	-	-	-	17,458
Insurance Recoveries	136,585	-	-	-	136,585
Issuance of Debt	-	240,366	-	-	240,366
Transfers In (Note 5)	121,652	1,275,931	13,665	3,898,521	5,309,769
Transfers Out (Note 5)	(2,576,143)	(17,831)	(1,213,898)	(1,195,576)	(5,003,448)
Total Other Financing Sources and Uses	<u>(2,300,448)</u>	<u>1,498,466</u>	<u>(1,200,233)</u>	<u>2,702,945</u>	<u>700,730</u>
Net Change in Fund Balances	<u>1,315,302</u>	<u>345,178</u>	<u>577,971</u>	<u>2,033,075</u>	<u>4,271,526</u>
Fund Balances - Beginning	23,644,516	2,435,922	9,102,927	11,700,555	46,883,920
Fund Balances - Ending	<u>\$ 24,959,818</u>	<u>\$ 2,781,100</u>	<u>\$ 9,680,898</u>	<u>\$ 13,733,630</u>	<u>\$ 51,155,446</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, 2014

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 4,271,526
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 (\$16,811,625) exceeded depreciation (\$14,975,028) in the current period.		1,836,597
Certain Capital and Joint Venture activities do not use or provide current financial resources but increase net position.		1,845,728
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.		(14,453)
Debt proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.		
Issuance of new debt		(240,366)
Debt transferred from Golf Fund to governmental activities		(3,326,675)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	(65,500)	
Special assessments	23,547	
Other unavailable revenue	154,405	
Amortization of bond premium	37,044	
		149,496
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.		1,808,841
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net position.		1,441,709
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		1,138,442
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 prepaids	(109,354)	
Change in accrued interest payable	3,871	
Change in net pension obligation or asset	214,462	
Change in net other postemployment benefits	(1,243,424)	
Change in compensated absences payable	(35,055)	
		(1,169,500)
Change in net position on the Statement of Activities		<u>\$ 7,741,345</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Property	\$ 14,299,417	\$ 15,699,417	\$ 15,805,041	\$ 105,624
Retail Sales & Use	14,487,335	15,987,335	17,749,385	1,762,050
Interfund Utility	3,147,673	3,203,673	3,487,429	283,756
Utility	8,026,559	7,970,559	7,592,611	(377,948)
Excise	300,991	300,991	319,377	18,386
Licenses and Permits	1,555,247	1,900,247	2,400,662	500,415
Intergovernmental	4,879,076	5,138,588	5,197,810	59,222
Charges for Services	1,767,729	3,476,812	4,165,901	689,089
Fines and Forfeitures	1,562,575	1,562,575	1,258,408	(304,167)
Investment Earnings	64,300	42,230	42,876	646
Miscellaneous	420,200	677,103	901,400	224,297
Total Revenues	<u>50,511,102</u>	<u>55,959,530</u>	<u>58,920,900</u>	<u>2,961,370</u>
EXPENDITURES:				
Current:				
General Government	9,350,745	9,362,838	7,712,018	1,650,820
Security of Persons and Property	26,528,749	29,229,453	26,964,270	2,265,183
Physical Environment	2,534,481	3,135,673	3,086,738	48,935
Transportation	3,329,135	3,355,134	3,272,108	83,026
Economic Environment	2,605,930	2,875,948	2,222,779	653,169
Health and Human Services	737,779	891,407	626,681	264,726
Culture and Recreation	7,718,461	9,470,517	9,517,324	(46,807)
Debt Service	1,636,050	1,702,735	1,683,075	19,660
Capital Outlay	5,000	-	8,102	(8,102)
Total Expenditures	<u>54,446,330</u>	<u>60,023,705</u>	<u>55,093,095</u>	<u>4,930,610</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,935,228)</u>	<u>(4,064,175)</u>	<u>3,827,805</u>	<u>7,891,980</u>
OTHER FINANCING SOURCES (USES):				
Sales of Capital Assets	-	-	17,458	17,458
Insurance Recoveries	25,000	25,000	136,585	111,585
Transfers In (Note 5)	17,000	122,097	121,652	(445)
Transfers Out (Note 5)	(52,000)	(406,585)	(159,756)	246,829
Total Other Financing Sources and Uses	<u>(10,000)</u>	<u>(259,488)</u>	<u>115,939</u>	<u>375,427</u>
Net Change in Fund Balances	<u>(3,945,228)</u>	<u>(4,323,663)</u>	<u>3,943,744</u>	<u>8,267,407</u>
Fund Balances - Beginning	<u>8,311,010</u>	<u>15,416,388</u>	<u>15,416,388</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 4,365,782</u>	<u>\$ 11,092,725</u>	<u>\$ 19,360,132</u>	<u>\$ 8,267,407</u>

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

The Cumulative Reserve Fund is combined with the General Fund for purposes of GASB Statement 54	5,599,686
Fund Balance - Ending (GAAP)	<u>\$ 24,959,818</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
ARTERIAL STREET FUND
For the Year Ended December 31, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Intergovernmental	\$ 3,501,108	\$ 8,977,937	\$ 2,488,843	\$ (6,489,094)
Charges for Services	-	45,272	56,371	11,099
Investment Earnings	2,500	2,500	2,252	(248)
Miscellaneous	-	-	114,839	114,839
Total Revenues	<u>3,503,608</u>	<u>9,025,709</u>	<u>2,662,305</u>	<u>(6,363,404)</u>
EXPENDITURES:				
Current:				
Transportation	3,696,308	13,102,500	3,601,691	9,500,809
Debt Service				
Principal	176,063	176,063	196,005	(19,942)
Interest and Other Costs	19,899	19,899	17,897	2,002
Total Expenditures	<u>3,892,270</u>	<u>13,298,462</u>	<u>3,815,593</u>	<u>9,482,869</u>
Excess (Deficiency) of Revenues Over (Under Expenditures)	<u>(388,662)</u>	<u>(4,272,753)</u>	<u>(1,153,288)</u>	<u>3,119,465</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	215,500	240,366	24,866
Transfers In (Note 5)	346,050	2,515,038	1,275,931	(1,239,107)
Transfers Out (Note 5)	-	(127,885)	(17,831)	110,054
Total Other Financing Sources and Uses	<u>346,050</u>	<u>2,602,653</u>	<u>1,498,466</u>	<u>(1,104,187)</u>
Net Change in Fund Balances	<u>(42,612)</u>	<u>(1,670,100)</u>	<u>345,178</u>	<u>2,015,278</u>
Fund Balances - Beginning	856,364	2,435,922	2,435,922	-
Fund Balances - Ending	<u>\$ 813,752</u>	<u>\$ 765,822</u>	<u>\$ 2,781,100</u>	<u>\$ 2,015,278</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 Auburn's 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

Accounted for services, maintenance, and operations associated with the Auburn Municipal Golf Course. This fund was discontinued in 2014 and the golf activities have been included in the General Fund.

City of Auburn, Washington
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
 December 31, 2014

	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	\$ 7,278,039	\$ 14,425,722	\$ 9,039,344	\$ 2,138,335	\$ -	\$ 1,250,009	\$ 34,131,449	\$ 14,235,505
Investments	-	-	999,190	-	-	-	999,190	-
Restricted Cash:								
Bond Payments	1,767,011	446,248	826,649	-	-	-	3,039,908	-
Customer Deposits	11,959	83,272	3,422	-	-	53,106	151,759	-
Other	6,793,024	516,972	5,421,206	-	-	-	12,731,202	-
Customer Accounts	1,284,125	2,560,533	1,044,486	1,503,833	-	-	6,392,977	90,165
Other Receivables	-	-	956	-	-	-	956	-
Due From Other Governmental Units	61,676	-	481,238	63,799	-	23,026	629,739	5,382
Inventories	153,087	6,303	6,663	-	-	9,064	175,117	216,200
Total Current Assets	17,348,921	18,039,050	17,823,154	3,705,967	-	1,335,205	58,252,297	14,547,252
Noncurrent Assets								
Long-Term Contracts and Notes	-	735,900	-	-	-	-	735,900	-
Capital Assets:								
Land	897,971	1,695,023	5,687,014	-	-	3,996,179	12,276,187	-
Water Rights	5,196,600	-	-	-	-	-	5,196,600	-
Buildings and Equipment	2,463,741	1,235,992	270,620	496,618	-	3,729,569	8,196,540	19,493,146
Improvements Other Than Buildings	111,221,873	93,749,199	58,942,632	-	-	10,678,965	274,592,669	117,158
Construction in Progress	4,636,258	602,471	4,451,977	-	-	75,420	9,766,126	34,727
Less: Accumulated Depreciation	(45,320,116)	(25,107,056)	(20,855,594)	(393,111)	-	(7,625,315)	(99,301,192)	(13,205,659)
Total Capital Assets (Net of A/D)	79,096,327	72,175,629	48,496,649	103,507	-	10,854,818	210,726,930	6,439,372
Total Noncurrent Assets	79,096,327	72,911,529	48,496,649	103,507	-	10,854,818	211,462,830	6,439,372
Total Assets	96,445,248	90,950,579	66,319,803	3,809,474	-	12,190,023	269,715,127	20,986,624
DEFERRED OUTFLOW OF RESOURCES:								
Deferred Outflow from Bond Refunding	-	-	-	-	-	41,546	41,546	-
LIABILITIES:								
Current Liabilities:								
Current Payables	1,177,194	1,779,824	582,483	1,214,244	-	93,580	4,847,325	870,263
Customer Deposits	-	-	-	-	-	-	-	300
Interfund Payables (Note 5)	-	-	-	-	-	200,000	200,000	-
Loans Payable - Current	522,831	288,262	-	-	-	-	811,093	-
Employee Leave Benefits - Current	169,040	88,800	161,701	28,288	-	16,695	464,524	148,950
Revenue Bonds Payable - Current	859,306	148,528	412,167	-	-	-	1,420,001	-
General Obligation Bonds Payable - Current	-	-	-	-	-	135,749	135,749	-
Payable From Restricted Assets:								
Accrued Interest	935,190	305,829	414,482	-	-	-	1,655,501	-
Deposits	11,959	83,272	3,422	-	-	53,106	151,759	-
Total Current Liabilities	3,675,520	2,694,515	1,574,255	1,242,532	-	499,130	9,685,952	1,019,513
Noncurrent Liabilities								
Employee Leave Benefits	38,801	20,383	37,117	6,493	-	3,832	106,626	34,190
Loans Payable	3,758,251	2,955,194	-	-	-	-	6,713,445	-
Revenue Bonds Payable	17,652,182	4,895,669	8,845,622	-	-	-	31,393,473	-
General Obligation Bonds Payable	-	-	-	-	-	1,195,799	1,195,799	-
Total Noncurrent Liabilities	21,449,234	7,871,246	8,882,739	6,493	-	1,199,631	39,409,343	34,190
Total Liabilities	25,124,754	10,565,761	10,456,994	1,249,025	-	1,698,761	49,095,295	1,053,703
NET POSITION:								
Invested in Capital Assets, Net of Related Debt	56,303,758	63,887,978	39,238,858	103,506	-	9,564,816	169,098,916	6,439,372
Restricted for:								
Debt Service	2,462,134	656,592	1,188,581	-	-	-	4,307,307	-
Capital Projects	5,162,710	800	4,231,615	-	-	-	9,395,125	-
Rate Stabilization	-	-	413,178	-	-	-	413,178	-
Unrestricted	7,391,892	15,839,448	10,790,577	2,456,943	-	967,992	37,446,852	13,493,549
Total Net Position	\$ 71,320,494	\$ 80,384,818	\$ 55,862,809	\$ 2,560,449	\$ -	\$ 10,532,808	\$ 220,661,378	\$ 19,932,921
							Adjustment to reflect the consolidation of internal service funds related to enterprise funds	
							277,228	
							Net position of business-type activities	
							<u>\$ 220,938,606</u>	

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, 2014

	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	\$ 13,123,260	\$ 22,989,712	\$ 8,967,685	\$ 13,609,724	\$ -	\$ 1,013,169	\$ 59,703,550	\$ 11,911,343
Other Operating Revenue	-	-	-	-	-	629,267	629,267	240,628
Total Operating Revenue	13,123,260	22,989,712	8,967,685	13,609,724	-	1,642,436	60,332,817	12,151,971
OPERATING EXPENSES:								
Operations & Maintenance	4,542,882	16,586,466	2,113,223	11,002,149	-	634,175	34,878,895	8,986,830
Administration	2,927,033	2,145,682	2,961,021	766,281	-	747,528	9,547,545	1,065,837
Depreciation / Amortization	2,410,604	1,908,420	1,533,693	18,819	-	454,779	6,326,315	1,336,579
Other Operating Expenses	1,528,313	1,863,165	835,027	973,064	-	20,351	5,219,920	-
Total Operating Expenses	11,408,832	22,503,733	7,442,964	12,760,313	-	1,856,833	55,972,675	11,389,246
Operating Income (Loss)	1,714,428	485,979	1,524,721	849,411	-	(214,397)	4,360,142	762,725
NON-OPERATING REVENUE (EXPENSE):								
Interest Revenue	13,972	13,604	20,953	1,526	-	1,206	51,261	12,357
Other Non-Operating Revenue	347,225	249,400	1,174,205	111,265	-	606,292	2,488,387	52,584
Gain on Sale of Capital Assets	-	-	322,871	-	-	-	322,871	1,060
Interest Expense	(546,255)	(243,820)	(224,809)	-	-	(68,041)	(1,082,925)	-
Other Non-Operating Expenses	(37,857)	(418)	(299)	-	(4,957,001)	-	(4,995,575)	-
Total Non-Operating Revenue (Expense)	(222,915)	18,766	1,292,921	112,791	(4,957,001)	539,457	(3,215,981)	66,001
Income (Loss) Before Contributions & Transfers	1,491,513	504,745	2,817,642	962,202	(4,957,001)	325,060	1,144,161	828,726
Capital Contribution	1,283,277	2,337,680	1,449,853	-	-	-	5,070,810	-
Transfers In (Note 5)	-	-	80,410	-	-	-	80,410	701,146
Transfers Out (Note 5)	(110,271)	(105,803)	(172,031)	-	(30,097)	-	(418,202)	(669,675)
Change in Net Position	2,664,519	2,736,622	4,175,874	962,202	(4,987,098)	325,060	5,877,179	860,197
Net Position, January 1	68,655,975	77,648,196	51,686,935	1,598,247	4,987,098	10,207,748	214,784,199	19,072,724
Net Position, December 31	\$ 71,320,494	\$ 80,384,818	\$ 55,862,809	\$ 2,560,449	\$ -	\$ 10,532,808	\$ 220,661,378	\$ 19,932,921
							Change in net position from this statement	5,877,179
							Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(278,245)
							Change in net position of business-type activities	\$ 5,598,934

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, 2014

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	\$ 12,833,818	\$ 22,792,138	\$ 8,858,403	\$ 13,507,918	\$ -	\$ 1,641,849	\$ 59,634,126	\$ 12,157,501
Cash Paid to Suppliers for Goods & Services	(3,974,501)	(15,384,636)	(2,080,427)	(11,066,212)	-	(769,616)	(33,275,392)	(6,532,968)
Cash Paid for Taxes	(1,528,313)	(1,863,193)	(835,027)	(973,064)	-	(20,352)	(5,219,949)	(3,498)
Cash Paid to Employees	(3,472,557)	(2,227,425)	(3,088,516)	(612,830)	-	(626,131)	(10,027,459)	(3,737,882)
Other Cash Received	-	-	(597,204)	-	-	-	(597,204)	799
Net Cash Provided (Used) by Operating Activities	<u>3,858,447</u>	<u>3,316,884</u>	<u>2,257,229</u>	<u>855,812</u>	<u>-</u>	<u>225,750</u>	<u>10,514,122</u>	<u>1,883,952</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Interfund Loan Payable	-	-	-	-	-	200,000	200,000	-
Operating Grant	95,094	70,091	(258,561)	110,091	-	597,532	614,247	2,354
Other Non-Operating Revenue	77,023	17,107	7,669	-	-	4,081	105,880	8,406
Transfers In	-	-	80,410	-	-	-	80,410	701,146
Transfers Out	(110,271)	(105,803)	(172,031)	-	(30,097)	-	(418,202)	(669,675)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>61,846</u>	<u>(18,605)</u>	<u>(342,513)</u>	<u>110,091</u>	<u>(30,097)</u>	<u>801,613</u>	<u>582,335</u>	<u>42,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds from Sale of Equipment	-	-	584,091	-	-	-	584,091	1,060
Purchase of Capital Assets	(3,156,159)	(1,332,085)	(3,799,529)	-	-	(858,708)	(9,146,481)	(1,653,614)
Contributed Capital	585,259	252,626	625,772	-	(176,855)	-	1,286,802	-
Capital Grants	-	-	1,120,128	-	-	61,826	1,181,954	-
Proceeds from Other Governments	-	90,000	-	-	-	-	90,000	-
Proceeds from Insurance Settlement	71,232	-	46,405	-	-	-	117,637	42,663
Principal Payment on Debt	(1,359,374)	(433,107)	(405,186)	-	-	(125,000)	(2,322,667)	-
Interest Payment on Debt	(623,595)	(255,579)	(264,699)	-	-	(63,942)	(1,207,815)	-
Debt Proceeds	129,115	-	-	-	-	-	129,115	-
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(4,353,522)</u>	<u>(1,678,145)</u>	<u>(2,093,018)</u>	<u>-</u>	<u>(176,855)</u>	<u>(985,824)</u>	<u>(9,287,364)</u>	<u>(1,609,891)</u>
CASH FLOW FROM INVESTING ACTIVITIES:								
Interest Received	13,972	13,604	19,053	1,526	-	5,885	54,040	12,357
Net Cash Provided (Used) in Investing Activities	<u>13,972</u>	<u>13,604</u>	<u>19,053</u>	<u>1,526</u>	<u>-</u>	<u>5,885</u>	<u>54,040</u>	<u>12,357</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(419,257)</u>	<u>1,633,738</u>	<u>(159,248)</u>	<u>967,429</u>	<u>(206,952)</u>	<u>47,424</u>	<u>1,863,134</u>	<u>328,649</u>
Cash and Cash Equivalents - Beginning of Year	<u>16,269,290</u>	<u>13,838,476</u>	<u>15,449,869</u>	<u>1,170,906</u>	<u>206,952</u>	<u>1,255,691</u>	<u>48,191,184</u>	<u>13,906,856</u>
Cash and Cash Equivalents - End of Year	<u>\$ 15,850,033</u>	<u>\$ 15,472,214</u>	<u>\$ 15,290,621</u>	<u>\$ 2,138,335</u>	<u>\$ -</u>	<u>\$ 1,303,115</u>	<u>\$ 50,054,318</u>	<u>\$ 14,235,505</u>
CASH AT END OF YEAR CONSISTS OF:								
Cash and Cash Equivalents	7,278,039	14,425,722	9,039,344	2,138,335	-	1,250,009	34,131,449	14,235,505
Restricted Cash - Bond Payments	1,767,011	446,248	826,649	-	-	-	3,039,908	-
Restricted Cash - Customer Deposits	11,959	83,272	3,422	-	-	53,106	151,759	-
Restricted Cash - Other	6,793,024	516,972	5,421,206	-	-	-	12,731,202	-
Total Cash	<u>\$ 15,850,033</u>	<u>\$ 15,472,214</u>	<u>\$ 15,290,621</u>	<u>\$ 2,138,335</u>	<u>\$ -</u>	<u>\$ 1,303,115</u>	<u>\$ 50,054,318</u>	<u>\$ 14,235,505</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, 2014

	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)	\$ 1,714,428	\$ 485,979	\$ 1,524,721	\$ 849,411	\$ -	\$ (214,397)	\$ 4,360,142	\$ 762,725
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Depreciation	2,410,604	1,908,420	1,533,693	18,819	-	454,779	6,326,315	1,336,579
Asset (Increases) Decreases:								
Accounts Receivable	(285,064)	(185,396)	(112,704)	(101,806)	-	-	(684,970)	8,529
Inventory	(12,059)	706	903	-	-	4,301	(6,149)	(15,086)
Liability Increases (Decreases):								
Accounts & Vouchers Payable	90,116	1,142,857	(86,129)	81,483	-	(20,194)	1,208,133	(266,321)
Deposits Payable	(4,378)	(12,178)	3,422	-	-	(587)	(13,721)	(2,200)
Wages & Benefits Payable	8,579	9,218	10,617	1,763	-	1,778	31,955	45,347
Compensated Absences Payable	(25,922)	(32,304)	(19,791)	6,142	-	70	(71,805)	14,379
A/P Related to Capital Asset Acquisition	(37,857)	(418)	(299)	-	-	-	(38,574)	-
Unearned Revenue	-	-	(597,204)	-	-	-	(597,204)	-
Total Adjustments	2,144,019	2,830,905	732,508	6,401	-	440,147	6,153,980	1,121,227
Net Cash Provided (Used) by Operating Activities	\$ 3,858,447	\$ 3,316,884	\$ 2,257,229	\$ 855,812	\$ -	\$ 225,750	\$ 10,514,122	\$ 1,883,952
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES								
Capital Assets Acquired by Contributed Capital	698,018	2,085,054	824,081	-	-	-	3,607,153	-
Increase (Decrease) in Fair Value of Investment	-	-	(1,900)	-	-	-	(1,900)	-
Total Non Cash Investing, Capital and Financing Activities	\$ 698,018	\$ 2,085,054	\$ 822,181	\$ -	\$ -	\$ -	\$ 3,605,253	\$ -

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, 2014

	Fire Relief Pension Trust Fund	Agency Fund
ASSETS:		
Cash and Cash Equivalents	\$ 503,668	\$ 724,783
Investments	2,093,604	-
Receivables:		
Customer Accounts	-	468
Interest	18,992	-
Due from Other Governmental Units	-	30,000
Total Assets	2,616,264	755,251
LIABILITIES:		
Current Payables	6,802	232,629
Due to Other Governmental Units	-	522,622
Total Liabilities	6,802	755,251
NET POSITION		
Held in Trust for Pension Benefits and Other Purposes	\$ 2,609,462	\$ -

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, 2014

	Fire Relief Pension Trust fund
<hr/>	
ADDITIONS:	
Contributions:	
Fire Insurance Premiums	\$ 77,558
Employer	231,000
Investment Earnings	14,435
Total Additions	<u>322,993</u>
 DEDUCTIONS:	
Benefit Payments	149,140
Administrative Expenses	11,381
Total Deductions	<u>160,521</u>
 Change in Net Postion	 <u>162,472</u>
 Net Position - Beginning	 <u>2,446,990</u>
Net Position - Ending	<u><u>\$ 2,609,462</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, 2014

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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 2014 financial statements have been presented in accordance with the following new Governmental Accounting Standards Board (GASB) Statements:

- a. GASB Statement No. 67 – *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25*. The statement replaces the requirements of Statement No. 25 and Statement No. 50 related to the pension plans that are administered through trusts or equivalent arrangements. There is no material impact to the City for implementing this standard.
- b. GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. It provides guidance on how to determine the gain or loss on a disposal of governmental operations. There is no material impact to the City for implementing this standard.
- c. GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was adopted for fiscal year 2014 reporting. The statement establishes accounting and financial reporting standards for situations where a local government, as a guarantor, agrees to indemnify a third-party obligation holder under specific circumstances. The guidance is provided for situations where a local government extends or receives a nonexchange financial guarantee. There is no material impact to the City for implementing this standard.

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. As such, the VRFA is not included in the City of Auburn's financial reporting entity.

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 statements of revenues, expenditures and changes in fund balance budget and actual, 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, deferred outflows of resources, and liabilities of the primary government. The net position section of this statement represents the residual amount of assets and their associated liabilities, and deferred outflow of resources. 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. The City's policy is to allocate indirect costs to a specific function or segment. 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.

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 balance/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. 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 eligible expenditure is incurred.

Under the modified accrual basis, expenditures are recorded when the fund liability is incurred, except for the un-matured interest and principal on general long-term debt, which is recognized when due, and for compensated absences which are recorded as expenditures when liquidated from expendable available fund resources. Purchases of capital assets from governmental funds are reported as expenditures during the year incurred and the asset is capitalized and reported on the government-wide statement of net 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 and deferred inflow of resources generally are included on their balance sheets. Their reported fund balance 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 local improvement districts (LID) guarantee fund which provides financial security for outstanding LID bonds. No debt service funds are considered major funds and are reported within the “Other Governmental Funds”.
- 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.

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, provides a codification of private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to be followed in the financial statements of proprietary fund types. The City has adopted provisions of GASB Statement No. 62.

- 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, the solid waste fund and the golf course fund. The golf course fund was used to account for business operations at the City's municipal golf course. This fund is now closed and the golf course activities have been included in the General Fund.
- 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, the cost of employees affected by an occupational injury or illness, 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 an 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 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 contributions to the Fire Relief and Pension Plan. During 2014, the City contributed \$231,000 toward the fund. 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:

- a. 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.
- b. Public hearings are conducted at the Auburn City Council Meetings to obtain taxpayer comments.
- c. Prior to December 31st, the budget is legally enacted through passage of an ordinance.
- d. 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	\$ 54,498,330	\$ 5,931,960	\$ 60,430,290
Total Governmental Funds	<u>54,498,330</u>	<u>5,931,960</u>	<u>60,430,290</u>
Special Revenue Funds:			
Local Street	\$ 1,444,300	\$ 1,128,981	\$ 2,573,281
Arterial Street	3,892,270	9,534,077	13,426,347
Hotel/Motel Tax	85,000	-	85,000
Arterial Street Preservation	2,000,000	1,309,295	3,309,295
Drug Forfeiture Fund	280,915	30,733	311,648
Housing and Community Development	460,000	152	460,152
Recreation Trails	-	-	-
Business Improvement Area	55,000	-	55,000
Cumulative Reserve	1,434,624	2,762,084	4,196,708
Mitigation Fees	426,050	2,219,662	2,645,712
Total Special Revenue Funds	<u>10,078,159</u>	<u>16,984,984</u>	<u>27,063,143</u>
Total Budgeted Funds	<u>\$ 64,576,489</u>	<u>\$ 22,916,944</u>	<u>\$ 87,493,433</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, 2014, the Washington State Local Government Investment Pool (LGIP) was holding \$106,995,558 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

In accordance with the utility bond ordinances, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, utility rate stabilization funds, financing the ongoing capital improvement programs of the various utilities, customer deposits, nonexpendable permanent cemetery endowment and other purposes.

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 in the internal services funds and 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. Deferred Outflows/Inflows of Resources

Deferred outflow of resources is the consumption of net position by the government that is applicable to a future reporting period. The deferred amount on special assessments consist of special assessments not due within one year is reported as deferred outflows of resources in the governmental funds. Deferred inflow of resources is acquisition of net position by the government that is applicable to a future reporting period. The difference between the carrying amount of redeemed and/or defeased debt and its reacquisition price is the deferred amount on refunding and is amortized over the remaining life of the debt, or the life of the new debt, whichever is shorter.

10. Compensated Absences

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

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

In general, non-exempt employees can accrue up to 80 hours of compensatory time. The City reports compensated absences as liabilities in the government-wide statement of net 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.

11. 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.

12. 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.

13. Fund Balance Components – Governmental Funds

Fund balance is presented in the governmental fund financial statements and represents the difference between assets and liabilities reported within the governmental fund.

Beginning with the most restrictive constraints, fund balance amounts are reported in the following categories:

- a. 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.
- b. 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.
- c. Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and City Council. Mayor and City Council approval by ordinance is required to commit, modify or rescind resources.
- d. 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 the Finance Director shall have the authority to assign amounts of fund balance to a specific purpose; however, before expenditure, amounts must be appropriated by the City Council which is often adopted by City Council in the biennial budget ordinance. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- e. 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, 2014:

Governmental Fund Balances
December 31, 2014

	Major				Total Governmental Funds
	General Fund	Arterial Street Fund	Capital Improvement Fund	Other Governmental Funds	
Nonspendable					
Prepays	\$ 127	\$ -	\$ -	\$ -	\$ 127
Cemetery Endowment	-	-	-	1,574,148	1,574,148
Total Nonspendable	127	-	-	1,574,148	1,574,275
Restricted					
Major Street Construction	-	\$2,781,100	-	-	2,781,100
REET 1 Allowable Projects	-	-	2,579,253	-	2,579,253
REET 2 Allowable Projects	-	-	3,303,490	-	3,303,490
Arterial Street Preservation Fund	-	-	-	3,162	3,162
Parks and Trails Construction Projects	-	-	-	527,770	527,770
City Tourism Promotion	-	-	-	166,896	166,896
Drug Investigation and Enforcement	-	-	-	539,236	539,236
Community Development Block Grant Program	-	-	-	44,904	44,904
Recreational Trail Development	-	-	-	35,925	35,925
Downtown Business Area Improvements	-	-	-	31,321	31,321
Street and Fire Service Mitigation Fees	-	-	-	4,782,267	4,782,267
Debt Service	-	-	-	34,856	34,856
Total Restricted	-	2,781,100	5,882,743	6,166,337	14,830,180
Committed					
Local Street Improvements (Save our Streets)	-	-	-	1,890,490	1,890,490
Arterial Street Preservation	-	-	-	3,175,691	3,175,691
Total Committed	-	-	-	5,066,181	5,066,181
Assigned					
Appropriations Over Estimated Revenue	4,045,598	-	-	-	4,045,598
Arterial Street Preservation Fund	-	-	3,798,155	2,127	3,800,282
Drug Investigation and Enforcement	-	-	-	585	585
Recreation Trail Development	-	-	-	31	31
Downtown Business Area Improvements	-	-	-	50	50
Local Street Improvements	-	-	-	152,487	152,487
School Administration Fees	-	-	-	118,245	118,245
Cemetery Capital Enhancement and Maintenance	-	-	-	95,500	95,500
Downtown Infrastructure Improvements	-	-	-	557,939	557,939
Total Assigned	4,045,598	-	3,798,155	926,964	8,770,717
Unassigned					
Unassigned	20,914,093	-	-	-	20,914,093
Total Unassigned	20,914,093	-	-	-	20,914,093
Total Fund Balances	\$ 24,959,818	\$ 2,781,100	\$ 9,680,898	\$ 13,733,630	\$ 51,155,446

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, 2014, the carrying amount of the City's cash demand deposits with Key Bank totaled \$6,798,044 while the bank balance was \$8,161,365. 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, 2014 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 2014, the net increase in the fair value of investments being held for more than one year is \$4,915 at year-end.

As of December 31, 2014, the City had the following investments and maturities:

Schedule of Investments by Maturities
As of December 31, 2014

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	\$ 106,995,558	\$ 106,995,558	\$ -	\$ -	\$ -
US Treasuries	76,464	-	76,464	-	-
US Agencies	5,252,549	-	3,235,409	-	2,017,140
	<u>\$ 112,324,571</u>	<u>\$ 106,995,558</u>	<u>\$ 3,311,873</u>	<u>\$ -</u>	<u>\$ 2,017,140</u>

Reconciliation to government-wide statement of net position:

Total investments above	\$ 112,324,571
Plus: cash in checking	6,798,044
Plus: petty cash	92,800
Less: cash investments in fiduciary funds	<u>(3,322,055)</u>
Total cash and investments, government-wide statement of net position	<u>\$ 115,893,360</u>

Reconciliation of Cash and Investments
Government-Wide Statement of Net Position
As of December 31, 2014

	Governmental Business-Type		Total
	Activities	Activities	
Cash and Cash Equivalents	\$ 48,071,228	\$ 34,131,449	\$ 82,202,677
Cash with Outside Agencies Investments	-	-	-
Temporarily Restricted:			
Cash and Cash Equivalents	12,958,257	15,922,869	28,881,126
Permanently Restricted:			
Cash and Cash Equivalents	1,574,148	-	1,574,148
	<u>\$ 64,839,852</u>	<u>\$ 51,053,508</u>	<u>\$ 115,893,360</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, 2014, the City had investments in a limited number of investment instruments as follows:

- U.S. Treasuries
- State Local Government Investment Pool
- Federal Farm Credit Bank Bonds
- Federal Home Loan Bank
- Lakehaven Utility District (WA) Bonds

With the exception of the State Local Government Investment Pool which is not rated and Lakehaven Utility District (WA) Bonds which has a Moody’s rating of Aa2, all other investments above carried a rating of Aaa by Moody’s rating service at December 31, 2014.

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.

The following is a schedule of investments by fund type:

Schedule of Investments by Fund Category and Investment Type
As of December 31, 2014

	State Investment Pool	U.S. Securities	Total
General Fund	\$ -	\$ 2,236,219	\$ 2,236,219
Enterprise Funds	-	999,190	999,190
Fiduciary Funds	-	2,093,604	2,093,604
Treasurer's Residual Funds	106,995,558	-	106,995,558
Total	<u>106,995,558</u>	<u>\$ 5,329,013</u>	<u>\$ 112,324,571</u>

NOTE 4 – PROPERTY TAXES

Property taxes received during tax year 2014 were \$15,933,338 including collection of prior year delinquent assessments. Property taxes assessed for collection in tax year 2014 were based on a regular tax levy of \$2.10 per \$1,000 on a total 2013 assessed value of \$7,288,022,732.

For levy year 2014, to be received in 2015, the City’s regular tax levy is \$2.17 per \$1,000 on a 2014 assessed valuation of \$8,238,289,417, as of December 31, 2014, for a total regular levy of \$16,879,116. 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, 2014, the debt limits for the City were as follows:

Item	With a Vote				Total Capacity
	Without a Vote 1.50%	General Purposes 1.00%	For Utilities 2.50%	For Parks or Open Space Development 2.50%	
Legal Limit	\$ 123,574,341	\$ 82,382,894	\$ 205,957,235	\$ 205,957,235	\$ 617,871,705
Outstanding indebtedness	(61,892,041)	-	-	-	(61,892,041)
Margin available	\$ 61,682,300	\$ 82,382,894	\$ 205,957,235	\$ 205,957,235	\$ 555,979,664

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 after the current period are reported as other unavailable revenue in the deferred inflow of resources section of the governmental funds financial statements. 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

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. Interfund transfers for the year ended December 31, 2014 were as follows:

Funds	Transfers	
	Transfer In	Transfer Out
Governmental funds:		
General	\$ 121,652	\$ 159,756
General - Cumulative reserve	-	2,416,387
Total general fund	121,652	2,576,143
Special revenue funds:		
Local street fund	150,000	17,832
Arterial street fund	1,275,931	17,831
Arterial Street Preservation	-	17,832
Mitigation fees	18,156	1,149,912
Total special revenue funds	1,444,087	1,203,407
Debt service funds:		
1998 Library GO	283,678	-
2010 A&B Annex	1,319,654	-
2010 C&D Local Rev	234,749	-
LID guarantee	393,114	-
Special assessments	-	10,000
Total debt service funds	2,231,195	10,000
Capital projects funds:		
Capital Improvement Major	13,665	1,213,898
Municipal Park Construction	1,499,170	-
Total capital projects funds	1,512,835	1,213,898
Proprietary funds:		
Water	-	110,271
Sewer	-	105,803
Storm drainage	80,410	172,031
Golf course	-	30,097
Total proprietary funds	80,410	418,202
Internal service funds:		
Facilities	-	662,675
Information Services	256,822	-
Equipment rental	444,324	7,000
Total internal service funds	701,146	669,675
Total	\$ 6,091,325	\$ 6,091,325

During 2014, the Golf Fund was reclassified from a proprietary fund and reported in the General Fund. The capital assets and outstanding debt are now included in the governmental activities. The removal of capital assets and outstanding debt from the enterprise fund was treated as a non-operating expense of \$4,957,001 in the proprietary fund statements. On the government-wide statement, the non-operating expense was reclassified as transfers in and out between governmental and business-type activities for the same amount.

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	1/1/2014	New Loans	Repayments	12/31/2014
Airport fund	Capital improvements	\$ -	\$ 200,000	\$ -	\$ 200,000
Total interfund loans		<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

All interfund loans are considered short-term cash loans.

The purpose of the interfund loan to the Airport Fund is to cover the cost of the Auburn Municipal T Hangar Enclosure Project.

The repayment of this loan, plus interest at the Washington State investment pool rate, would be made over five years using new revenue generated by the enclosed hangars.

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

As of December 31, 2014, the City had receivables due from other governmental units as follows:

<u>Due from Other Governmental Units</u>	
General Fund:	
Auburn Valley Humane Society	\$ 102,548
King County District Court	667,789
King County Public Health - Rampart Grant	3,588
King County -Real Estate Excise Taxes	216,963
Pierce County - Real Estate Excise Taxes	12,735
Muckleshoot Indian Tribe	236,185
Auburn School District	168,505
US Department of Justice	55,372
WA Auto Theft Prevention Authority - Auto Theft Prevention Grant	22,047
WA State Department of Ecology - Area-wide Redevelopment Plan	35,384
WA State Military Department - EMPG Grant	14,932
WA State Traffic Safety Commission - Seat belt / DUI enforcement	4,237
WA State Treasurer - Sales Taxes	<u>1,399,270</u>
Total General Fund	2,939,555
Arterial Street Fund:	
WA State Transportation Improvement Board - Arterial Street Imp.	175,991
Muckleshoot Indian Tribe	9,894
WA Dept. of Transportation - Arterial street imp.	<u>177,665</u>
Total Arterial Street Fund	363,550
Drug Forfeiture Fund:	
Pierce County Sheriff's Department -TNET	11,259
Housing & Community Development:	
U.S. Dept. of Housing - Community Development Block Grant	124,194
Municipal Park Construction:	
King Conservation District	20,000
King County Flood Control District	91,870
WA State Recreation & Conservation Office	<u>597,137</u>
Total Municipal Park Construction	709,007
General Government Capital Improvements:	
Pierce County - Real Estate Excise Taxes	27,837
Water Fund:	
WA State Department of Commerce	61,676
Storm Fund:	
WA State Department of Ecology	440,289
King Conservation District	20,000
King County Flood Control District	<u>20,949</u>
Total Storm Drainage Fund	481,238
Solid Waste Fund:	
Department of Ecology - ECPG Grant	5,956
King County - Local hazardous waste management grant	21,579
King County - Waste reduction and recycling grant	<u>36,264</u>
Total Solid Waste fund	63,799
Airport Fund	
Federal Aviation Administration	21,943
WA Department of Transportation -Aviation Division	<u>1,083</u>
Total Airport fund	23,026
Information Services Fund:	
City of Black Diamond	3,358
VRFA	<u>2,024</u>
Total Information Services fund	5,382
Agency Fund:	
City of Tukwila-Police	15,000
City of Kent-Police	<u>15,000</u>
Total Agency fund	30,000
Total	<u><u>\$ 4,840,523</u></u>
Reconciliation to government-wide statement of net position:	
Total above due from other governmental units	4,840,523
Amount due to fiduciary fund	<u>(30,000)</u>
Total due from other governmental units,	4,810,523
Government-wide statement of net position	<u><u>\$ 4,810,523</u></u>

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2014 is as follows:

Schedule of Capital Asset Activity

	Balance 1/1/14	Increases	Decreases/ Adjustments	Balance 12/31/14
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 103,974,530	\$ 3,973,915	\$ -	\$ 107,948,445
Construction in progress	4,987,061	9,033,050	(5,002,403)	9,017,708
Total capital assets, not being depreciated	108,961,591	13,006,965	(5,002,403)	116,966,153
Capital assets, being depreciated:				
Buildings	58,633,329	6,326,447	-	64,959,776
Improvements other than buildings	18,459,369	3,531,119	-	21,990,488
Machinery and equipment	21,640,593	3,077,850	(748,107)	23,970,336
Intangibles	1,095,684	-	-	1,095,684
Infrastructure	328,475,210	3,382,363	(2,957)	331,854,616
Total capital assets being depreciated	428,304,185	16,317,779	(751,064)	443,870,900
Less: accumulated depreciation for:				
Buildings	(12,699,587)	(2,950,808)	-	(15,650,395)
Improvements other than buildings	(11,252,294)	(1,945,233)	-	(13,197,527)
Machinery and equipment	(15,012,193)	(2,658,554)	646,484	(17,024,263)
Intangibles	(439,464)	(154,563)	-	(594,027)
Infrastructure	(118,131,493)	(12,563,528)	-	(130,695,021)
Total accumulated depreciation	(157,535,031)	(20,272,686)	646,484	(177,161,233)
Total capital assets, being depreciated, net	270,769,154	(3,954,907)	(104,580)	266,709,667
Governmental activities capital assets, net	<u>\$ 379,730,745</u>	<u>\$ 9,052,058</u>	<u>\$ (5,106,983)</u>	<u>\$ 383,675,820</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 14,505,063	\$ 261,979	\$ (2,490,855)	\$ 12,276,187
Water Rights	5,196,600	-	-	5,196,600
Construction in progress	16,314,775	8,797,538	(15,346,187)	9,766,126
Total capital assets, not being depreciated	36,016,438	9,059,517	(17,837,042)	27,238,913
Capital assets, being depreciated:				
Buildings	11,396,634	63,905	(5,718,605)	5,741,934
Improvements other than buildings	258,690,731	18,924,990	(3,023,053)	274,592,668
Machinery and equipment	3,305,284	51,405	(902,085)	2,454,604
Total capital assets being depreciated	273,392,649	19,040,300	(9,643,743)	282,789,206
Less: accumulated depreciation for:				
Buildings	(5,178,422)	(121,179)	1,604,672	(3,694,929)
Improvements other than buildings	(88,441,629)	(6,174,801)	1,165,229	(93,451,201)
Machinery and equipment	(2,886,077)	(30,336)	761,354	(2,155,059)
Total accumulated depreciation	(96,506,128)	(6,326,316)	3,531,255	(99,301,189)
Total capital assets, being depreciated, net	176,886,521	12,713,984	(6,112,488)	183,488,017
Business-type activities capital assets, net	<u>\$ 212,902,959</u>	<u>\$ 21,773,501</u>	<u>\$ (23,949,530)</u>	<u>\$ 210,726,930</u>

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

Governmental activities:	
General government	\$ 1,033,349
Public safety	366,179
Transportation	12,275,227
Culture and recreation	1,300,273
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>1,336,578</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 16,311,606</u>
Business-type activities:	
Water	\$ 2,410,604
Sanitary sewer	1,908,420
Storm water	1,533,693
Solid waste	18,819
Airport	401,684
Cemetery	<u>53,095</u>
Total depreciation expense - business-type activities	<u>\$ 6,326,315</u>

The 2014 total interest cost incurred for business-type activities was \$1,739,229 of which \$1,082,925 was charged to expense and \$656,304 capitalized. During 2014, the capital assets were transferred from the Golf Fund and are now included in the governmental activities. The removal of capital assets from the enterprise fund was treated as a capital contribution.

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>
2015	\$ 77,998
2016	77,998
2017	77,998
2018	77,998
2019	77,998
2020-2021	155,854
Total minimum lease payments	545,844
Less: Amounts representing interest	(110,776)
Present value of future minimum lease payments	<u>\$ 435,068</u>

As of December 31, 2014, the gross value of the Auburn Theater facility acquired under the capital lease is \$695,504. Monthly lease payments of \$6,500 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 6.68 percent.

NOTE 9 – LONG-TERM LIABILITIES

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. The outstanding bonds which were issued to fund improvements to the Auburn Golf Course were transferred from the Golf Fund and are now included in the governmental activities. The removal of debt from the enterprise fund was treated as a capital contribution.
- 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. The outstanding bonds were transferred from the Golf Fund and are now included in the governmental activities. The removal of debt from the enterprise fund was treated as a capital contribution.
- 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, 2014 is \$1,015,000.

- 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 eight outstanding loans with a remaining total balance of \$11,808,711. Six 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 & PWTF 2013). The other two loans are for arterial street improvements and are being repaid from arterial street fund revenues over a 20-year period that began in 2009 upon project completion (PWTF 2008) and over a 29-year period that began in 2013 upon project completion (PWTF 2012).

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, 2014. 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 LIABILITES SUMMARY

	General Obligation ⁽¹⁾	Utility	Employee Leave Benefit	Other Post Employment Benefits	Premium	Due To Other Governments	Total
Long-term debt payable 12/31/13	\$38,080,584	\$41,023,090	\$ 2,544,234	\$ 4,968,040	\$1,714,374	\$ 25,966,700	\$ 114,297,022
Added	3,509,902	129,115	2,117,305	2,036,710	57,139	-	7,850,171
Retired	(4,836,245)	(2,197,667)	(2,198,128)	(793,286)	(193,074)	(828,900)	(11,047,300)
Long-term debt payable 12/31/14	\$36,754,241	\$38,954,538	\$ 2,463,411	\$ 6,211,464	\$1,578,439	\$ 25,137,800	\$ 111,099,893

⁽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
2015	2,235,150	3,310,406	50,462	27,536	2,428,469	1,584,818	2,003,523	6,717,604	4,922,760
2016	2,099,950	3,219,326	53,938	24,060	2,473,469	1,534,878	45,989	4,673,346	4,778,264
2017	2,189,400	3,127,140	57,653	20,345	2,518,469	1,481,621	45,989	4,811,511	4,629,106
2018	2,266,100	3,027,605	61,624	16,374	2,568,469	1,427,652	45,989	4,942,182	4,471,631
2019	2,069,350	2,932,873	65,869	12,129	2,623,469	1,366,533	45,989	4,804,677	4,311,535
2020-2024	10,535,550	13,524,524	145,522	10,332	12,402,017	5,637,851	229,945	23,313,034	19,172,707
2025-2029	11,030,750	11,054,711	-	-	12,573,644	2,997,388	45,987	23,650,381	14,052,099
2030-2034	12,994,450	8,034,403	-	-	4,831,754	333,331	-	17,826,204	8,367,734
2035-2039	11,752,100	3,802,920	-	-	584,965	14,625	-	12,337,065	3,817,545
2040-2044	-	-	-	-	233,986	1,755	-	233,986	1,755
Totals	\$ 57,172,800	\$52,033,908	\$ 435,068	\$ 110,776	\$ 43,238,711	\$16,380,452	\$2,463,411	\$103,309,990	\$68,525,136

⁽¹⁾ \$ 103,309,990 Principal debt service requirements to maturity
 6,211,464 Other Post Employment Benefits
 1,578,439 Premium
 \$ 111,099,893 Long Term Liabilities 12/31/2014

CHANGES IN LONG-TERM LIABILITIES
Schedule of Authorized, Issued and Outstanding Bonds ⁽²⁾

Issue Name	Interest Rates	Maturity Date	Original Amount ⁽²⁾	Principal Installments	Balance 12/31/13	Additions	Reductions	Balance 12/31/14	Due Within One Year
GOVERNMENTAL DEBT									
<u>General Obligation Bonds:</u>									
GO bond 2006-Golf ⁽¹⁾⁽³⁾	4.25-5.00%	12/1/2025	\$ 2,784,536	\$5,000 - \$395,000	\$ -	\$ 2,784,536	\$ -	\$ 2,784,536	\$ 4,251
GO bond 2006 taxable-Golf ⁽³⁾	5.40-5.52%	12/1/2015	1,885,000	\$45,000 - \$245,000	-	485,000	(240,000)	245,000	245,000
LTGO 2010A ⁽¹⁾	2.00-4.50%	12/1/2018	4,385,000	\$235,000 - \$720,000	1,760,000	-	(745,000)	1,015,000	235,000
LTGO 2010B ⁽¹⁾	3.27-6.24%	12/1/2039	20,365,000	\$535,000 - \$1,240,000	20,365,000	-	-	20,365,000	535,000
LTGO 2010C ⁽¹⁾	2.00-4.00%	12/1/2014	920,000	\$105,000 - \$215,000	215,000	-	(215,000)	-	-
LTGO 2010D ⁽¹⁾	3.27-6.19%	12/1/2034	6,320,000	\$220,000 - \$445,000	6,320,000	-	-	6,320,000	220,000
Total General Obligation Bonds			36,659,536		28,660,000	3,269,536	(1,200,000)	30,729,536	1,239,251
<u>Capital Lease:</u>									
Auburn Avenue Theater	6.68%	12/31/2021	695,504	\$4,078 - \$6,429	480,771	-	(45,703)	435,068	50,462
<u>Employee Leave Benefits:</u>									
Compensated absences					1,842,826	1,626,400	(1,576,966)	1,892,260	1,538,998
<u>Other Post Employment Benefits:</u>									
LEOFF 1					4,968,040	2,036,710	(793,286)	6,211,464	-
<u>Public Works Trust Fund Loans:</u>									
PWTF 2008	0.50%	7/1/2028	1,527,273	\$80,383	1,205,742	-	(80,383)	1,125,359	80,383
PWTF 2012	0.50%	6/1/2041	3,284,857	\$116,993	3,034,071	240,366	(115,623)	3,158,814	116,993
Total Public Works Trust Fund Loans			4,812,130		4,239,813	240,366	(196,006)	4,284,173	197,376
Premium Related to Debt					154,372	57,139	(42,629)	168,882	-
Total Governmental			\$ 42,167,170		\$ 40,345,822	\$ 7,230,151	\$ (3,854,590)	\$ 43,721,383	\$ 3,026,087
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	\$ 940,000	\$ -	\$ (125,000)	\$ 815,000	\$ 135,000
GO bond 2006-Golf/Cemetery ⁽¹⁾⁽³⁾	4.25-5.00%	12/1/2025	3,275,000	\$5,000 - \$395,000	3,275,000	-	(2,784,536)	490,464	749
GO bond 2006 taxable-Golf ⁽³⁾	5.40-5.52%	12/1/2015	1,885,000	\$45,000 - \$245,000	485,000	-	(485,000)	-	-
Total General Obligation Bonds			6,535,000		4,700,000	-	(3,394,536)	1,305,464	135,749
<u>Revenue Bonds:</u>									
Utility sys refunding bonds 2005 ⁽¹⁾	3.00-4.75%	11/1/2016	2,765,000	\$45,000 - \$355,000	1,020,000	-	(325,000)	695,000	340,000
Utility sys bonds 2010 ⁽¹⁾	3.00-6.40%	12/1/2030	21,295,000	\$575,000 - \$1,720,000	20,720,000	-	(590,000)	20,130,000	605,000
Utility sys bonds 2013 ⁽¹⁾	0.38-4.00%	12/1/2032	11,415,000	\$335,000 - \$785,000	11,080,000	-	(475,000)	10,605,000	475,000
Total Revenue Bonds			35,475,000		32,820,000	-	(1,390,000)	31,430,000	1,420,000
<u>Employee Leave Benefits:</u>									
Compensated absences					701,408	490,905	(621,162)	571,151	464,525
<u>Public Works Trust Fund Loans:</u>									
PWTF 1999	1.00%	7/1/2019	3,465,000	\$182,368	1,094,211	-	(182,369)	911,842	182,368
PWTF 2001	0.50%	7/1/2021	4,290,405	\$227,086	1,816,685	-	(227,086)	1,589,599	227,086
PWTF 2002	1.00%	7/1/2022	641,250	\$26,114	235,030	-	(26,114)	208,916	26,114
PWTF 2004	0.50%	7/1/2024	2,049,036	\$107,844	1,186,284	-	(107,844)	1,078,440	107,844
PWTF 2006	0.50%	7/1/2026	3,325,000	\$180,418	2,345,433	-	(180,418)	2,165,015	180,418
PWTF 2013	2.00%	6/1/2032	1,654,561	\$87,263	1,525,447	129,115	(83,836)	1,570,726	87,263
Total Public Works Trust Fund Loans			15,425,252		8,203,090	129,115	(807,667)	7,524,538	811,093
Premium Related to Debt					1,560,002	-	(150,445)	1,409,557	-
Total Proprietary			\$ 57,435,252		\$ 47,984,500	\$ 620,020	\$ (6,363,810)	\$ 42,240,710	\$ 2,831,367
Total All Funds			\$ 99,602,422		\$ 88,330,322	\$ 7,850,171	\$ (10,218,400)	\$ 85,962,093	\$ 5,857,454

⁽¹⁾ Subject to federal arbitrage compliance rules.

⁽²⁾ The original amount is the amount authorized and issued with exception of the Utility System Bonds 2013 in which the authorized amount was \$13,000,000 and the issued amount was \$11,415,000.

⁽³⁾ The outstanding bonds which were issued to fund improvements at the Auburn Golf Course were transferred from the Golf Fund and are now included in the governmental activities.

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 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 paid from the General fund.

CHANGES IN LONG-TERM LIABILITIES DUE TO OTHER GOVERNMENTS

Issue Name	Interest Rates	Maturity Date	Original Amount	Principal Installments	Balance 12/31/13	Additions	Reductions	Balance 12/31/14	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	\$ 432,000	\$ -	\$ (212,000)	\$ 220,000	\$ 220,000
SCORE Public Development Authority	3.00-6.62%	1/1/2039	26,732,850	\$593,650 - \$1,601,150	25,534,700	-	(616,900)	24,917,800	640,150
Total General Obligation Bonds									
Due Other Governments			<u>\$ 27,797,850</u>		<u>\$ 25,966,700</u>	<u>\$ -</u>	<u>\$ (828,900)</u>	<u>\$ 25,137,800</u>	<u>\$ 860,150</u>

LONG-TERM LIABILITIES RECONCILIATION

	Enterprise Funds	Governmental Funds	12/31/14
Liabilities payable from restricted assets:			
Revenue bonds	\$ 2,922,900	\$ -	\$ 2,922,900
Long-term bonds payable:			
General obligation bonds	1,305,464	30,729,536	32,035,000
Capital lease	-	435,068	435,068
Revenue bonds	28,507,100	-	28,507,100
Public Works Trust Fund loans	7,524,538	4,284,173	11,808,711
Due to Other Governments	-	25,137,800	25,137,800
Employee leave benefits	571,151	1,892,260	2,463,411
Other Post Employment Benefits	-	6,211,464	6,211,464
Premium	1,409,557	168,882	1,578,439
Total long-term debt	<u>\$ 42,240,710</u>	<u>\$ 68,859,183</u>	<u>\$ 111,099,893</u>

Revenue Bond Debt Service Coverage

The required debt service coverage for the 2013 utility revenue bonds, 2010 utility revenue bonds and the 2005 utility revenue refunding bonds is 1.25. Debt service coverage for 2014 was 3.0. 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, 2014 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; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 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 exercised 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 Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 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 may legally be used to pay the defined benefits of any of the Plan 2 or 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 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment. PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 3 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 benefit 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 benefit 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 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 the 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, if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 member choice. Members who do not choose a contribution rate default to a 5 percent rate. 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 self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 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 their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 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, and were hired before May 1, 2013, 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.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are 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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an 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 AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

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.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to but not yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Non-vested	<u>101,191</u>
Total	368,272

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS 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. 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.

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, 2014, are as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% 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 4.92% 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-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.5%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** 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
2014	\$ 31,068	\$ 1,560,156	\$ 360,022
2013	34,563	1,371,134	313,045
2012	29,077	1,182,550	268,187

The employer contribution rate for the City was 7.21% in 2012 and 9.21% in 2013 and 2014.

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

Plan Description

LEOFF was established in 1970 by the Legislature. Membership 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 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.

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.

LEOFF 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 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 2013, 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, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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 10 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 there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse,

eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 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.

The LEOFF Plan 1 disability benefit 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 benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. 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. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. 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 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 catastrophically 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 benefit 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.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 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.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

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.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to but not yet Receiving Benefits	699
Active Plan Members Vested	16,830
Active Plan Members Non-vested	<u>1,600</u>
Total	29,640

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS’ Fiscal Year 2014, the state contributed \$55.6 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, 2014, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%
Employee	0.00%	8.41%
State	N/A	3.36%

* The employer rates include the employer administrative expense fee currently set at 0.18%.

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
2014	\$ -	\$ 531,166
2013	-	491,540
2012	-	467,819

Public Safety Employees’ Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

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

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and
- Employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional 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 completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS 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 2014, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate 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 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	43
Terminated Plan Members Entitled to but not yet Receiving Benefits	119
Active Plan Members Vested	4,513
Active Plan Members Non-vested	1,383
Total	6,058

Funding Policy

Each biennium, the state Pension Funding Council adopts 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, 2014, are as follows:

	<u>PSERS Plan 2</u>
Employer*	10.54%
Employee	6.36%

*The employer rate includes an employer administrative expense fee of 0.18%.

The City of Auburn has not had any employees enrolled in the PSERS Plan since 2011, thus no contributions have been made to the plan since 2010.

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.

The City has determined that GASB Statement No. 67 – Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25 does not apply to the City’s single-employer Fire Relief and Pension Fund as it does not meet the criteria applicability set by the statement as the contributions to that fund are not irrevocable. Plan assets may be used for to cover medical expenses which are outside of the scope of the pension plan benefits. Therefore, the Fire Relief and Pension Fund has been presented in conformance with GASB Statement No. 25 and Statement No. 50.

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 2013, \$70,035 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 13 eligible, of which 11 are receiving benefits.

GASB STATEMENT No. 25				GASB STATEMENT No. 27		
SCHEDULE OF EMPLOYER CONTRIBUTIONS				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, 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)
December 31, 2013	52,326	70,351	74%	83,024	63.00%	(259,299)
December 31, 2014	297,177	70,351	422%	82,715	359.00%	(473,761)

*Employer Contributions for pensions are total contributions to the Fund net of disbursement from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

**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⁾
12/31/2003	-	(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)
12/31/2013	70,351	(10,875)	(23,548)	12.32%	83,024	52,326	30,698	(259,299)
12/31/2014	70,351	(9,724)	(22,088)	11.74%	82,715	297,177	(214,462)	(473,761)

⁽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, 2003-2004; 6% 2005-2006; 5% 2007-2008; 4% 2011-2012, 3.75% 2013, 3.5% 2014

⁽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, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar amount 30-year, closed as of January 1, 1999
Remaining amortization period:	14 years
Asset valuation method:	Fair market value

Actuarial Assumptions

Inflation rate:	2.25%
Investment rate of return:	3.50%
Projected salary increases:	3.25%
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, 2014, there was 1 active member and 56 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		
	12/31/2012	12/31/2013	12/31/2014
1. Annual Normal Costs at beginning of year	\$ 101,456	\$ 101,456	\$ 45,656
2. Amortization of UAAL at beginning of year	2,011,425	2,011,425	2,168,028
3. Interest to end of year	84,515	84,515	71,945
4. ARC at end of year	\$ 2,197,396	\$ 2,197,396	\$ 2,285,629
5. Interest on Net OPEB Obligation	123,847	162,738	161,461
6. Adjustment to ARC	244,712	335,724	410,380
7. Annual OPEB Cost	\$ 2,076,531	\$ 2,024,410	\$ 2,036,710
8. Employer Contributions	1,104,259	1,124,809	793,286
9. Change in Net OPEB Obligation	972,272	899,601	1,243,424
10. Net OPEB Obligation at beginning of year	3,096,167	4,068,439	4,968,040
11. Net OPEB Obligation at end of year	\$ 4,068,439	\$ 4,968,040	\$ 6,211,464

The net OPEB obligation of \$6,211,464 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 2014, 2013 and 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Contributions as a Percentage of Annual OPEB Cost	Net OPEB Obligation
December 31, 2014	\$ 2,036,710	39%	\$ 6,211,464
December 31, 2013	2,024,410	56%	4,968,040
December 31, 2012	2,076,531	53%	4,068,439

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$26.2 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$26.2 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, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 3.25% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. The medical (healthcare) trend rate of 6.9% for pre-65 retirees and 6.0% for post-65 retirees is assumed and the inflation rate includes the 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, 2014 was 15 years.

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

Trust Description

The City is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office

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 \$830.01 per month for non-Medicare enrolled retiree-only coverage, \$1,667.27 for non-Medicare enrolled retiree and spouse coverage, \$1,280.56 for Medicare enrolled retiree and

non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$899.43 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, 2014, the City had the following contractual obligations on construction projects:

SCHEDULE OF OUTSTANDING CONSTRUCTION OBLIGATIONS
As of December 31, 2014

	Amount Outstanding
Traffic projects	\$ 83,588
Street projects	522,320
Utilities projects	2,690,007
Other projects	156,140
Total commitments	\$ 3,452,055

NOTE 14 – CEMETERY ENDOWED CARE FUND

The City maintains one permanent fund known as the cemetery endowed care fund. Paid into this fund is 10% of the base, pre-tax sales price 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 2014, of the \$2,252 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 2014 cost distribution for the five participating cities is as follows:

	Dispatchable Calls	Percent of Total *
Renton	75,345	20.31%
Kent	104,448	28.15%
Auburn	82,276	22.17%
Tukwila	32,383	8.73%
Federal Way	76,602	20.64%
Total	<u>371,054</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, 2013	\$ 5,240,607	\$ 7,378,791	\$ 4,959,646	\$2,927,158	\$ 3,508,470	\$ 24,014,672
Current year change	109,645	151,995	119,731	47,125	111,474	539,970
Equity Dec 31, 2014	<u>\$ 5,350,252</u>	<u>\$ 7,530,786</u>	<u>\$ 5,079,377</u>	<u>\$ 2,974,283</u>	<u>\$ 3,619,944</u>	<u>\$ 24,554,642</u>
% of equity	21.79%	30.67%	20.69%	12.11%	14.74%	
% of 2014 distribution	20.31%	28.15%	22.17%	8.73%	20.64%	

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 Host City Agreement. Pursuant to SCORE financial policies, all unexpected funds or reserve funds shall be distributed based on the percentage of the Member City's average daily population at the SCORE Facility for the last three (3) years regardless of its Owner City or Host City status.

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 was 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. The SCORE PDA issued \$86 million in special obligation bonds in 2009 (the "Bonds") to construct, develop, acquire and equip the SCORE Facility. Pursuant to

the Formation Interlocal Agreement and the ordinances of each city, each Owner City (which includes the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the Bonds as the same become due and payable. Each Owner City’s obligation to pay its portion is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor. The following is a summary of the debt service requirements for the Bonds:

Summary of Debt Service Requirements										
Debt Service Schedule					Debt Service Allocation to Owner Cities					
Year	Principal	Interest	BABs Subsidy	Total	Auburn 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%
2015	\$ 1,990,000	\$ 4,995,069	\$ (1,514,410)	\$ 5,470,659	\$ 1,695,904	\$ 218,826	\$ 984,719	\$ 1,969,437	\$ 164,120	\$ 437,653
2016	2,065,000	4,911,886	(1,513,594)	5,463,292	1,693,621	218,532	983,393	1,966,785	163,899	437,063
2017	2,145,000	4,820,241	(1,503,576)	5,461,665	1,693,116	218,467	983,100	1,966,199	163,850	436,933
2018	2,240,000	4,715,979	(1,503,576)	5,452,403	1,690,245	218,096	981,433	1,962,865	163,572	436,192
2019	2,310,000	4,602,229	(1,467,237)	5,444,992	1,687,948	217,800	980,099	1,960,197	163,350	435,599
2020-2024	12,905,000	21,102,168	(7,183,090)	26,824,078	8,315,464	1,072,963	4,828,334	9,656,668	804,722	2,145,926
2025-2029	15,675,000	16,833,706	(6,067,796)	26,440,910	8,196,682	1,057,636	4,759,364	9,518,728	793,227	2,115,273
2030-2034	19,265,000	11,158,380	(4,128,483)	26,294,897	8,151,418	1,051,796	4,733,081	9,466,163	788,847	2,103,592
2035-2039	23,775,000	4,064,705	(1,697,914)	26,141,791	8,103,955	1,045,672	4,705,522	9,411,045	784,254	2,091,343
Totals	\$ 82,370,000	\$ 77,204,363	\$ (26,579,676)	\$ 132,994,687	\$ 41,228,353	\$ 5,319,788	\$ 23,939,045	\$ 47,878,087	\$ 3,989,841	\$ 10,639,574

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, 2014 related to SCORE:

South Correctional Entity (SCORE) 2014 Member Cities Equity Allocation				
Member City	Percent of Equity	2013 Equity Balance	2014 Apportionment	2014 Equity Balance
Auburn	29.00%	\$ 2,517,237	\$ 1,725,997	\$ 4,243,234
Burien	3.00%	294,323	221,087	515,410
Des Moines	2.00%	107,970	184,190	292,160
Federal Way	25.00%	1,820,940	1,855,784	3,676,724
Renton	29.00%	2,548,219	1,672,186	4,220,405
SeaTac	5.00%	331,708	380,958	712,666
Tukwila	7.00%	601,934	478,536	1,080,470
Grand Totals	100.00%	\$ 8,222,331	\$ 6,518,740	\$ 14,741,071

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 12/31/2013	Additions	Reductions	Balance 12/31/2014
Valley Communication Public Dev Auth	\$ 432,000	\$ -	\$ (212,000)	\$ 220,000
SCORE Public Development Authority	25,534,700	-	(616,900)	24,917,800
Due to Other Governments	25,966,700	-	(828,900)	25,137,800
Valley Communications Center	4,959,646	119,731	-	5,079,377
South Correctional Entity (SCORE)	2,517,237	1,725,997	-	4,243,234
Equity Share	7,476,883	1,845,728	-	9,322,611
Total Investment in Joint Ventures				<u>\$ 34,460,411</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 2014 Auburn paid \$8,799, 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 2014 were \$187,088. Medical premiums and benefit payments made under the Fire Relief and Pension Plan for 2014 were \$99,877.

NOTE 17 – CONTINGENCIES AND LITIGATIONS

As of December 31, 2014, a number of claims were pending against the City for damages and legal actions. While the outcome of these actions is uncertain, no uncovered losses are anticipated at this time with 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 general liability insurance.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The City's management believes that such disallowances, if any, will be immaterial.

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 175 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, 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.

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, 2015

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liabilities - Entry Age	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2003	3,514	2,428	(1,086)	145.00%	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
January 1, 2015	2,609	3,130	521	83.00%	-	N/A

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

GASB STATEMENT No. 25 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending 12/31	Employer Contributions*	Fire Insurance Premiums	Total Employer Contributions*	Annual Required Contributions (ARC)	Percentage of ARC Contributions
2009	(20,768)	58,000	37,232	(78,233)	N/A
2010	(14,496)	63,545	49,049	(78,233)	N/A
2011	(22,901)	66,375	43,474	21,469	202%
2012	(14,825)	63,205	48,380	21,469	225%
2013	(17,710)	70,036	52,326	70,351	74%
2014	219,619	77,558	297,177	70,351	422%

* Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

**Retiree Medical and Long-Term Care Benefits
For LEOFF 1 Employees
December 31, 2014**

**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	UAAAL 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
January 1, 2014	-	26,246	26,246	0%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending 12/31	Annual OPEB Cost	Employer Contributions	% of OPEB Cost	Net OPEB Obligation
2009	1,691,265	1,037,683	61%	1,446,786
2010	1,670,548	1,048,494	63%	2,068,840
2011	2,123,011	1,095,684	52%	3,096,167
2012	2,076,531	1,104,259	53%	4,068,439
2013	2,024,410	1,124,809	56%	4,968,040
2014	2,036,710	793,286	39%	6,211,464

NON-MAJOR GOVERNMENTAL FUNDS

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Project Funds

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

Permanent Funds

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

City of Auburn, Washington
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENT FUNDS
December 31, 2014

	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	\$ 11,831,102	\$ 34,856	\$ 1,053,724	\$ 1,669,648	\$ 14,589,330
Receivables:					
Other Receivables	319,710	-	-	-	319,710
Special Assessments	-	23,547	-	-	23,547
Due From Other Governmental Units	135,453	-	709,007	-	844,460
Total Assets	<u>12,286,265</u>	<u>58,403</u>	<u>1,762,731</u>	<u>1,669,648</u>	<u>15,777,047</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Current Payables	1,225,353	-	677,022	-	1,902,375
Other Liabilities Payable	117,495	-	-	-	117,495
Total Liabilities	<u>1,342,848</u>	<u>-</u>	<u>677,022</u>	<u>-</u>	<u>2,019,870</u>
Deferred Inflow of Resources:					
Unavailable Revenue-Special Assessments	-	23,547	-	-	23,547
Total Deferred Inflow of Resources	<u>-</u>	<u>23,547</u>	<u>-</u>	<u>-</u>	<u>23,547</u>
Fund Balances:					
Nonspendable	-	-	-	1,574,148	1,574,148
Restricted	5,603,711	34,856	527,770	-	6,166,337
Committed	5,066,181	-	-	-	5,066,181
Assigned	273,525	-	557,939	95,500	926,964
Total Fund Balances	<u>10,943,417</u>	<u>34,856</u>	<u>1,085,709</u>	<u>1,669,648</u>	<u>13,733,630</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 12,286,265</u>	<u>\$ 58,403</u>	<u>\$ 1,762,731</u>	<u>\$ 1,669,648</u>	<u>\$ 15,777,047</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, 2014

	Total Nonmajor Special Revenue	Total Nonmajor Debt Service	Total Nonmajor Capital Projects	Total Nonmajor Permanent	Total Nonmajor Governmental
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ 128,297	\$ -	\$ 128,297
Retail Sales & Use	1,753,532	241,767	-	-	1,995,299
Interfund Utility	581,238	-	-	-	581,238
Utility	1,447,404	-	-	-	1,447,404
Excise	99,783	-	-	-	99,783
Other	42,988	-	-	-	42,988
Intergovernmental	485,566	498,473	709,007	-	1,693,046
Charges for Services	1,447,055	-	10,553	37,832	1,495,440
Special Assessments	-	472,800	-	-	472,800
Investment Earnings	10,280	25,325	1,260	2,252	39,117
Miscellaneous	68,264	-	133,112	-	201,376
Total Revenues	5,936,110	1,238,365	982,229	40,084	8,196,788
EXPENDITURES:					
Current:					
Security of Persons & Property	300,024	-	-	-	300,024
Transportation	2,105,784	-	-	-	2,105,784
Economic Environment	561,119	-	-	-	561,119
Cultural and Recreation	-	-	1,786	-	1,786
Debt Service:					
Principal	-	1,673,660	-	-	1,673,660
Interest	-	1,796,832	-	-	1,796,832
Capital Outlay	-	-	2,427,453	-	2,427,453
Total Expenditures	2,966,927	3,470,492	2,429,239	-	8,866,658
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	2,969,183	(2,232,127)	(1,447,010)	40,084	(669,870)
OTHER FINANCING SOURCES (USES):					
Transfers In (Note 5)	168,156	2,231,195	1,499,170	-	3,898,521
Transfers Out (Note 5)	(1,185,576)	(10,000)	-	-	(1,195,576)
Total Other Financing Sources (Uses)	(1,017,420)	2,221,195	1,499,170	-	2,702,945
Net Change in Fund Balances	1,951,763	(10,932)	52,160	40,084	2,033,075
Fund Balances - Beginning	8,991,654	45,788	1,033,549	1,629,564	11,700,555
Fund Balances - Ending	\$ 10,943,417	\$ 34,856	\$ 1,085,709	\$ 1,669,648	\$ 13,733,630



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 eight 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, 2014

Page 1 of 2

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Housing Community Development
ASSETS:					
Cash and Cash Equivalents	\$ 2,964,313	\$ 175,985	\$ 2,894,760	\$ 540,402	\$ 26,162
Receivables:					
Other Receivables	-	-	319,710	-	-
Due From Other Governmental Units	-	-	-	11,259	124,194
Total Assets	<u>2,964,313</u>	<u>175,985</u>	<u>3,214,470</u>	<u>551,661</u>	<u>150,356</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Current Payables	921,336	9,089	33,490	11,840	105,452
Other Liabilities Payable	-	-	-	-	-
Total Liabilities	<u>921,336</u>	<u>9,089</u>	<u>33,490</u>	<u>11,840</u>	<u>105,452</u>
Fund Balances:					
Restricted	-	166,896	3,162	539,236	44,904
Committed	1,890,490	-	3,175,691	-	-
Assigned	152,487	-	2,127	585	-
Total Fund Balances	<u>2,042,977</u>	<u>166,896</u>	<u>3,180,980</u>	<u>539,821</u>	<u>44,904</u>
Total Liabilities and Fund Balances	<u>\$ 2,964,313</u>	<u>\$ 175,985</u>	<u>\$ 3,214,470</u>	<u>\$ 551,661</u>	<u>\$ 150,356</u>

Page 2 of 2

Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ 35,956	\$ 38,416	\$ 5,155,108	\$ 11,831,102
-	-	-	319,710
-	-	-	135,453
<u>35,956</u>	<u>38,416</u>	<u>5,155,108</u>	<u>12,286,265</u>
-	7,045	137,101	1,225,353
-	-	117,495	117,495
-	<u>7,045</u>	<u>254,596</u>	<u>1,342,848</u>
35,925	31,321	4,782,267	5,603,711
-	-	-	5,066,181
31	50	118,245	273,525
<u>35,956</u>	<u>31,371</u>	<u>4,900,512</u>	<u>10,943,417</u>
<u>\$ 35,956</u>	<u>\$ 38,416</u>	<u>\$ 5,155,108</u>	<u>\$ 12,286,265</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, 2014

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Housing Community Development
REVENUES:					
Taxes:					
Retail Sales & Use	\$ 1,753,532	\$ -	\$ -	\$ -	\$ -
Interfund Utility	-	-	581,238	-	-
Utility	-	-	1,447,404	-	-
Excise	-	99,783	-	-	-
Other	-	-	-	-	-
Intergovernmental	-	-	-	43,058	436,170
Charges for Services	-	7,254	3,162	-	-
Investment Earnings	2,487	138	2,127	585	-
Miscellaneous	26,034	-	-	34,849	7,381
Total Revenues	<u>1,782,053</u>	<u>107,175</u>	<u>2,033,931</u>	<u>78,492</u>	<u>443,551</u>
EXPENDITURES:					
Current:					
Security of Persons and Property	-	-	-	250,024	-
Transportation	1,788,150	-	317,634	-	-
Economic Environment	-	72,130	-	-	436,170
Total Expenditures	<u>1,788,150</u>	<u>72,130</u>	<u>317,634</u>	<u>250,024</u>	<u>436,170</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,097)</u>	<u>35,045</u>	<u>1,716,297</u>	<u>(171,532)</u>	<u>7,381</u>
OTHER FINANCING SOURCES (USES):					
Transfers In (Note 5)	150,000	-	-	-	-
Transfers Out (Note 5)	(17,832)	-	(17,832)	-	-
Total Other Financing Sources (Uses)	<u>132,168</u>	<u>-</u>	<u>(17,832)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>126,071</u>	<u>35,045</u>	<u>1,698,465</u>	<u>(171,532)</u>	<u>7,381</u>
Fund Balances - Beginning	<u>1,916,906</u>	<u>131,851</u>	<u>1,482,515</u>	<u>711,353</u>	<u>37,523</u>
Fund Balances - Ending	<u>\$ 2,042,977</u>	<u>\$ 166,896</u>	<u>\$ 3,180,980</u>	<u>\$ 539,821</u>	<u>\$ 44,904</u>

Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 1,753,532
-	-	-	581,238
-	-	-	1,447,404
-	-	-	99,783
-	42,988	-	42,988
6,338	-	-	485,566
-	-	1,436,639	1,447,055
31	50	4,862	10,280
-	-	-	68,264
<u>6,369</u>	<u>43,038</u>	<u>1,441,501</u>	<u>5,936,110</u>
-	-	50,000	300,024
-	-	-	2,105,784
-	52,819	-	561,119
<u>-</u>	<u>52,819</u>	<u>50,000</u>	<u>2,966,927</u>
<u>6,369</u>	<u>(9,781)</u>	<u>1,391,501</u>	<u>2,969,183</u>
-	-	18,156	168,156
<u>-</u>	<u>-</u>	<u>(1,149,912)</u>	<u>(1,185,576)</u>
<u>-</u>	<u>-</u>	<u>(1,131,756)</u>	<u>(1,017,420)</u>
<u>6,369</u>	<u>(9,781)</u>	<u>259,745</u>	<u>1,951,763</u>
<u>29,587</u>	<u>41,152</u>	<u>4,640,767</u>	<u>8,991,654</u>
<u>\$ 35,956</u>	<u>\$ 31,371</u>	<u>\$ 4,900,512</u>	<u>\$ 10,943,417</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Property	\$ 1,294,300	\$ 1,560,000	\$ 1,753,532	\$ 193,532
Investment Earnings	3,350	3,350	2,487	(863)
Miscellaneous	-	-	26,034	26,034
Total Revenues	<u>1,297,650</u>	<u>1,563,350</u>	<u>1,782,053</u>	<u>218,703</u>
EXPENDITURES:				
Current:				
Transportation	1,444,300	2,545,396	1,788,150	757,246
Total Expenditures	<u>1,444,300</u>	<u>2,545,396</u>	<u>1,788,150</u>	<u>757,246</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(146,650)</u>	<u>(982,046)</u>	<u>(6,097)</u>	<u>975,949</u>
OTHER FINANCING SOURCES (USES):				
Transfers In (Note 5)	150,000	150,000	150,000	-
Transfers Out (Note 5)	-	(27,885)	(17,832)	10,053
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>122,115</u>	<u>132,168</u>	<u>10,053</u>
Net Change in Fund Balances	<u>3,350</u>	<u>(859,931)</u>	<u>126,071</u>	<u>986,002</u>
Fund Balances - Beginning	270,670	1,916,906	1,916,906	-
Fund Balances - Ending	<u>\$ 274,020</u>	<u>\$ 1,056,975</u>	<u>\$ 2,042,977</u>	<u>\$ 986,002</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Excise	\$ 70,000	\$ 70,000	\$ 99,783	\$ 29,783
Charges for Services	9,100	9,100	7,254	(1,846)
Investment Earnings	150	150	138	(12)
Total Revenues	<u>79,250</u>	<u>79,250</u>	<u>107,175</u>	<u>27,925</u>
EXPENDITURES:				
Current:				
Economic Environment	85,000	85,000	72,130	12,870
Total Expenditures	<u>85,000</u>	<u>85,000</u>	<u>72,130</u>	<u>12,870</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,750)</u>	<u>(5,750)</u>	<u>35,045</u>	<u>40,795</u>
Net Change in fund Balances	<u>(5,750)</u>	<u>(5,750)</u>	<u>35,045</u>	<u>40,795</u>
Fund Balances - Beginning	86,181	131,851	131,851	-
Fund Balances - Ending	<u>\$ 80,431</u>	<u>\$ 126,101</u>	<u>\$ 166,896</u>	<u>\$ 40,795</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Interfund Utility	\$ 525,069	\$ 534,397	\$ 581,238	\$ 46,841
Utility	1,516,154	1,506,826	1,447,404	(59,422)
CHARGES FOR SERVICES	-	-	3,162	3,162
Investment Earnings	1,500	1,500	2,127	627
Total Revenues	<u>2,042,723</u>	<u>2,042,723</u>	<u>2,033,931</u>	<u>(8,792)</u>
EXPENDITURES:				
Current:				
Transportation	2,000,000	3,281,410	317,634	2,963,776
Total Expenditures	<u>2,000,000</u>	<u>3,281,410</u>	<u>317,634</u>	<u>2,963,776</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,723</u>	<u>(1,238,687)</u>	<u>1,716,297</u>	<u>2,954,984</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out (Note 5)	-	(27,885)	(17,832)	10,053
Total Other Financing Sources (Uses)	<u>-</u>	<u>(27,885)</u>	<u>(17,832)</u>	<u>10,053</u>
Net Change in Fund Balances	<u>42,723</u>	<u>(1,266,572)</u>	<u>1,698,465</u>	<u>2,965,037</u>
Fund Balances - Beginning	1,584,937	1,482,515	1,482,515	-
Fund Balances - Ending	<u>\$ 1,627,660</u>	<u>\$ 215,943</u>	<u>\$ 3,180,980</u>	<u>\$ 2,965,037</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 43,058	\$ 13,058
Investment Earnings	1,300	1,300	585	(715)
Miscellaneous	250,000	250,000	34,849	(215,151)
Total Revenues	<u>281,300</u>	<u>281,300</u>	<u>78,492</u>	<u>(202,808)</u>
EXPENDITURES:				
Current:				
Security of Persons & Property	280,915	311,648	250,024	61,624
Total Expenditures	<u>280,915</u>	<u>311,648</u>	<u>250,024</u>	<u>61,624</u>
Excess (Deficiency of Revenues Over (Under) Expenditures	<u>385</u>	<u>(30,348)</u>	<u>(171,532)</u>	<u>(141,184)</u>
Net Change in Fund Balances	<u>385</u>	<u>(30,348)</u>	<u>(171,532)</u>	<u>(141,184)</u>
Fund Balances - Beginning	917,468	711,353	711,353	-
Fund Balances - Ending	<u>\$ 917,853</u>	<u>\$ 681,005</u>	<u>\$ 539,821</u>	<u>\$ (141,184)</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 436,170	\$ (13,830)
Miscellaneous	-	-	7,381	7,381
Total Revenues	<u>450,000</u>	<u>450,000</u>	<u>443,551</u>	<u>(6,449)</u>
EXPENDITURES:				
Current:				
Economic Environment	<u>460,000</u>	<u>460,152</u>	<u>436,170</u>	<u>23,982</u>
Total Expenditures	<u>460,000</u>	<u>460,152</u>	<u>436,170</u>	<u>23,982</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,000)</u>	<u>(10,152)</u>	<u>7,381</u>	<u>17,533</u>
Net Change in Fund Balances	<u>(10,000)</u>	<u>(10,152)</u>	<u>7,381</u>	<u>17,533</u>
Fund Balances - Beginning	<u>45,647</u>	<u>37,523</u>	<u>37,523</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 35,647</u>	<u>\$ 27,371</u>	<u>\$ 44,904</u>	<u>\$ 17,533</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
TAXES:				
Intergovernmental	\$ 7,100	\$ 7,100	\$ 6,338	\$ (762)
Investment Earnings	20	20	31	11
Total Revenues	<u>7,120</u>	<u>7,120</u>	<u>6,369</u>	<u>(751)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,120</u>	<u>7,120</u>	<u>6,369</u>	<u>(751)</u>
Net Change in Fund Balances	<u>7,120</u>	<u>7,120</u>	<u>6,369</u>	<u>(751)</u>
Fund Balances - Beginning	<u>29,571</u>	<u>29,587</u>	<u>29,587</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 36,691</u>	<u>\$ 36,707</u>	<u>\$ 35,956</u>	<u>\$ (751)</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Taxes:				
Other	\$ 55,000	\$ 55,000	42,988	\$ (12,012)
Investment Earnings	40	40	50	10
Total Revenues	<u>55,040</u>	<u>55,040</u>	<u>43,038</u>	<u>(12,002)</u>
EXPENDITURES:				
Current:				
Economic Environment	<u>55,000</u>	<u>55,000</u>	<u>52,819</u>	<u>2,181</u>
Total Expenditures	<u>55,000</u>	<u>55,000</u>	<u>52,819</u>	<u>2,181</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>40</u>	<u>40</u>	<u>(9,781)</u>	<u>(9,821)</u>
Net Change in Fund Balances	<u>40</u>	<u>40</u>	<u>(9,781)</u>	<u>(9,821)</u>
Fund Balances - Beginning	21,680	41,152	41,152	-
Fund Balances - Ending	<u>\$ 21,720</u>	<u>\$ 41,192</u>	<u>\$ 31,371</u>	<u>\$ (9,821)</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, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
Investment Earnings	\$ 3,000	\$ 3,000	\$ 17,225	\$ 14,225
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>17,225</u>	<u>14,225</u>
EXPENDITURES:				
Debt Service:				
Principal	212,000	212,000	212,000	-
Interest and Other Costs	17,280	17,280	17,280	-
Total Expenditures	<u>229,280</u>	<u>229,280</u>	<u>229,280</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(226,280)</u>	<u>(226,280)</u>	<u>(212,055)</u>	<u>14,225</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out (Note 5)	(1,205,344)	(3,967,428)	(2,416,387)	1,551,041
Total Other Financing Sources (Uses)	<u>(1,205,344)</u>	<u>(3,967,428)</u>	<u>(2,416,387)</u>	<u>1,551,041</u>
Net Change in Fund Balances	<u>(1,431,624)</u>	<u>(4,193,708)</u>	<u>(2,628,442)</u>	<u>1,565,266</u>
Fund Balances - Beginning	5,700,796	8,228,128	8,228,128	-
Fund Balances - Ending	<u>\$ 4,269,172</u>	<u>\$ 4,034,420</u>	<u>\$ 5,599,686</u>	<u>\$ 1,565,266</u>

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

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

(5,599,686)

Fund Balance - Ending (GAAP)

\$ -

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

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MITIGATION SPECIAL REVENUE FUND
For the Year Ended December 31, 2014

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
REVENUES:				
TAXES:				
Charges for Services	\$ 875,000	\$ 875,000	\$ 1,436,639	\$ 561,639
Investment Earnings	5,000	5,000	4,862	(138)
Total Revenues	<u>880,000</u>	<u>880,000</u>	<u>1,441,501</u>	<u>561,501</u>
EXPENDITURES:				
Current:				
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>830,000</u>	<u>830,000</u>	<u>1,391,501</u>	<u>561,501</u>
OTHER FINANCING SOURCES (USES):				
Transfers In (Note 5)	-	1,045,300	18,156	(1,027,144)
Transfers Out (Note 5)	(376,050)	(2,595,712)	(1,149,912)	1,445,800
Total Other Financing Sources (Uses)	<u>(376,050)</u>	<u>(1,550,412)</u>	<u>(1,131,756)</u>	<u>418,656</u>
Net Change in Fund Balances	453,950	(720,412)	259,745	980,157
Fund Balances - Beginning	2,531,402	4,640,767	4,640,767	-
Fund Balances - Ending	<u>\$ 2,985,352</u>	<u>\$ 3,920,355</u>	<u>\$ 4,900,512</u>	<u>\$ 980,157</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 two outstanding general obligation issues, and two 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 2006 General Obligation Bonds

Accounts for the debt service on a Council-approved bond issue to finance improvements to the Auburn Golf Course including a pro shop, clubhouse, and related facilities. In addition, the bonds were used to construct and equip restaurant, banquet and related facilities for the restaurant located at the Auburn Golf Course.

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, 2014

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	2006 Golf	LID Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
ASSETS:							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 24,547	\$ 10,309	\$ 34,856
Receivables:							
Special Assessments	-	-	-	-	-	23,547	23,547
Total Assets	-	-	-	-	24,547	33,856	58,403
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:							
Deferred Inflows of Resources:							
Unavailable Revenue - Special Assessments	-	-	-	-	-	23,547	23,547
Total Deferred Inflows of Resources	-	-	-	-	-	23,547	23,547
Fund Balances:							
Restricted	-	-	-	-	24,547	10,309	34,856
Total Fund Balances	-	-	-	-	24,547	10,309	34,856
Total Liabilities, Deferred Inflows and Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ 24,547	\$ 33,856	\$ 58,403

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, 2014

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	2006 Golf	L I D Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
REVENUES:							
Taxes:							
Retail Sales & Use	\$ -	\$ -	\$ 241,767	\$ -	\$ -	\$ -	\$ 241,767
Special Assessments	-	-	-	-	-	472,800	472,800
Intergovernmental	-	376,863	121,610	-	-	-	498,473
Investment Earnings	22	-	91	30	23	25,159	25,325
Total Revenues	22	376,863	363,468	30	23	497,959	1,238,365
EXPENDITURES:							
Debt Service:							
Principal	230,000	515,000	215,000	240,000	-	473,660	1,673,660
Interest	53,700	1,181,517	383,217	153,144	-	25,254	1,796,832
Total Expenditures	283,700	1,696,517	598,217	393,144	-	498,914	3,470,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	(283,678)	(1,319,654)	(234,749)	(393,114)	23	(955)	(2,232,127)
OTHER FINANCING SOURCES (USES):							
Transfers In (Note 5)	283,678	1,319,654	234,749	393,114	-	-	2,231,195
Transfers Out (Note 5)	-	-	-	-	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	283,678	1,319,654	234,749	393,114	(10,000)	-	2,221,195
Net Change in Fund Balances	-	-	-	-	(9,977)	(955)	(10,932)
Fund Balances - Beginning	-	-	-	-	34,524	11,264	45,788
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -	\$ 24,547	\$ 10,309	\$ 34,856



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 FUNDS
December 31, 2014

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
ASSETS:			
Cash and Cash Equivalents	\$ 495,785	\$ 557,939	\$ 1,053,724
Due From Other Governmental Units	709,007	-	709,007
Total Assets	<u>1,204,792</u>	<u>557,939</u>	<u>1,762,731</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Payables	677,022	-	677,022
Total Liabilities	<u>677,022</u>	<u>-</u>	<u>677,022</u>
Fund Balances:			
Restricted	527,770	-	527,770
Assigned	-	557,939	557,939
Total Fund Balances	<u>527,770</u>	<u>557,939</u>	<u>1,085,709</u>
Total Liabilities and Fund Balances	<u>\$ 1,204,792</u>	<u>\$ 557,939</u>	<u>\$ 1,762,731</u>

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

For the Year Ended December 31, 2014

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
REVENUES:			
Taxes:			
Property	\$ 128,297	\$ -	\$ 128,297
Intergovernmental	709,007	-	709,007
Charges for Services	10,553	-	10,553
Investment Earnings	736	524	1,260
Miscellaneous	133,112	-	133,112
Total Revenues	<u>981,705</u>	<u>524</u>	<u>982,229</u>
EXPENDITURES:			
Cultural and Recreation	131	1,655	1,786
Capital Outlay	2,427,453	-	2,427,453
Total Expenditures	<u>2,427,584</u>	<u>1,655</u>	<u>2,429,239</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,445,879)</u>	<u>(1,131)</u>	<u>(1,447,010)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In (Note 5)	1,499,170	-	1,499,170
Total Other Financing Sources (Uses)	<u>1,499,170</u>	<u>-</u>	<u>1,499,170</u>
Net Change in Fund Balances	<u>53,291</u>	<u>(1,131)</u>	<u>52,160</u>
Fund Balances - Beginning	474,479	559,070	1,033,549
Fund Balances - Ending	<u>\$ 527,770</u>	<u>\$ 557,939</u>	<u>\$ 1,085,709</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, 2014

	Cemetery Endowed Care
<hr/>	
ASSETS:	
Cash and Cash Equivalents	
Non-Expendable Trust	\$ 1,669,648
Total Assets	<u>1,669,648</u>
 FUND BALANCES:	
Nonspendable	1,574,148
Assigned	<u>95,500</u>
Total Fund Balances	<u>1,669,648</u>
Total Liabilities and Fund Balances	<u>\$ 1,669,648</u>

City of Auburn, Washington
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PERMANENT FUND
 For the Year Ended December 31, 2014

		Cemetery Endowed Care
<hr/>		
REVENUES:		
Increase to Endowment from Lot Sales	\$	37,832
Investment Earnings		2,252
Total Revenues		<u>40,084</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures		 <u>40,084</u>
 Net Change in Fund Balance		 <u>40,084</u>
Fund Balance - Beginning		<u>1,629,564</u>
Fund Balance - Ending	\$	<u><u>1,669,648</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, 2014

	Airport	Cemetery	Total Nonmajor Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 919,416	\$ 330,593	\$ 1,250,009
Restricted Cash:			
Customer Deposits	53,106	-	53,106
Due From Other Governmental Units	23,026	-	23,026
Inventories	-	9,064	9,064
Total Current Assets	<u>995,548</u>	<u>339,657</u>	<u>1,335,205</u>
Noncurrent Assets:			
Capital Assets:			
Land	3,653,343	342,836	3,996,179
Buildings and Equipments	2,707,302	1,022,267	3,729,569
Improvements Other Than Buildings	9,535,548	1,143,417	10,678,965
Construction in Progress	75,420	-	75,420
Less: Accumulated Depreciation	<u>(6,208,832)</u>	<u>(1,416,483)</u>	<u>(7,625,315)</u>
Total Capital Assets (Net of A/D)	<u>9,762,781</u>	<u>1,092,037</u>	<u>10,854,818</u>
Total Noncurrent Assets	<u>9,762,781</u>	<u>1,092,037</u>	<u>10,854,818</u>
Total Assets	<u>10,758,329</u>	<u>1,431,694</u>	<u>12,190,023</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow from Bond Refunding	<u>41,546</u>	<u>-</u>	<u>41,546</u>
LIABILITIES:			
Current Liabilities:			
Current Payables	49,220	44,360	93,580
Interfund Payables	200,000	-	200,000
Employee Leave Benefits - Current	2,557	14,138	16,695
General Obligation Bonds Payable - Current	135,000	749	135,749
Customer Deposits	53,106	-	53,106
Total Current Liabilities	<u>439,883</u>	<u>59,247</u>	<u>499,130</u>
Noncurrent Liabilities:			
Employee Leave Benefits	587	3,245	3,832
General Obligation Bonds Payable	696,858	498,941	1,195,799
Total Noncurrent Liabilities	<u>697,445</u>	<u>502,186</u>	<u>1,199,631</u>
Total Liabilities	<u>1,137,328</u>	<u>561,433</u>	<u>1,698,761</u>
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	8,972,469	592,347	9,564,816
Unrestricted	<u>690,078</u>	<u>277,914</u>	<u>967,992</u>
Total Net Position	<u>\$ 9,662,547</u>	<u>\$ 870,261</u>	<u>\$ 10,532,808</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, 2014

	Airport	Cemetery	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 29,270	\$ 983,899	\$ 1,013,169
Other Operating Revenue	629,267	-	629,267
Total Operating Revenues	<u>658,537</u>	<u>983,899</u>	<u>1,642,436</u>
OPERATING EXPENSES:			
Operations & Maintenance	1,761	632,414	634,175
Administration	466,984	280,544	747,528
Depreciation/Amortization	401,684	53,095	454,779
Other Operating Expenses	334	20,017	20,351
Total Operating Expenses	<u>870,763</u>	<u>986,070</u>	<u>1,856,833</u>
Operating Income (Loss)	<u>(212,226)</u>	<u>(2,171)</u>	<u>(214,397)</u>
NON-OPERATING REVENUE (EXPENSE):			
Interest Revenue	906	300	1,206
Other Non-Operating Revenues	601,613	4,679	606,292
Interest Revenue (Expense)	(46,612)	(21,429)	(68,041)
Total Non-Operating Revenue (Expense)	<u>555,907</u>	<u>(16,450)</u>	<u>539,457</u>
Income (Loss) Before Contributions & Transfers	<u>343,681</u>	<u>(18,621)</u>	<u>325,060</u>
Change in Net Position	<u>343,681</u>	<u>(18,621)</u>	<u>325,060</u>
Net Position, January 1	<u>9,318,866</u>	<u>888,882</u>	<u>10,207,748</u>
Net Position, December 31	<u>\$ 9,662,547</u>	<u>\$ 870,261</u>	<u>\$ 10,532,808</u>

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended December 31, 2014

	Airport	Cemetery	Total Non Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received From Users	\$ 657,950	\$ 983,899	\$ 1,641,849
Cash Paid to Suppliers for Goods & Services	(456,476)	(313,140)	(769,616)
Cash Paid for Taxes	(335)	(20,017)	(20,352)
Cash Paid to Employees	(28,019)	(598,112)	(626,131)
Net Cash Provided (Used) By Operating Activities	173,120	52,630	225,750
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund Loan Payable	200,000	-	200,000
Operating Grant Received	597,532	-	597,532
Other Non-Operating Revenue	4,081	-	4,081
Net Cash Provided (Used) by Non-Capital Financing Activities	801,613	-	801,613
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(858,708)	-	(858,708)
Capital Grant	61,826	-	61,826
Principal Payment on Debt	(125,000)	-	(125,000)
Interest Payment on Debt	(41,675)	(22,267)	(63,942)
Net Cash Provided (Used) for Capital and Related Financing Activities	(963,557)	(22,267)	(985,824)
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest Received	906	4,979	5,885
Net Cash Provided (Used) in Investing Activities	906	4,979	5,885
Net Increase (Decrease) in Cash and Cash Equivalents	12,082	35,342	47,424
Cash and Cash Equivalents - Beginning of Year	960,440	295,251	1,255,691
Cash and Cash Equivalents - End of Year	\$ 972,522	\$ 330,593	\$ 1,303,115
CASH AT END OF YEAR CONSISTS OF:			
Cash and Cash Equivalents	919,416	330,593	1,250,009
Restricted Cash - Customer Deposits	53,106	-	53,106
Total Cash	\$ 972,522	\$ 330,593	\$ 1,303,115

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended December 31, 2014

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)	\$ (212,226)	\$ (2,171)	\$ (214,397)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation	401,684	53,095	454,779
Asset (Increases) Decreases:			
Inventory	-	4,301	4,301
Liability Increases (Decreases):			
Accounts & Vouchers Payable	(16,135)	(4,059)	(20,194)
Deposits Payable	(587)	-	(587)
Wages & Benefits Payable	41	1,737	1,778
Compensated Absences Payable	343	(273)	70
Total Adjustments	<u>385,346</u>	<u>54,801</u>	<u>440,147</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 173,120</u>	<u>\$ 52,630</u>	<u>\$ 225,750</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
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 five 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 Workers Comp Self Insurance Fund

Provides a source of funds to pay time loss and medical benefits for employees who are affected by an occupational injury or illness.

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, 2014

	Workers Comp Insurance	Self Insurance	Facilities	Information Services	Equipment Rental	Total
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 1,654,074	\$ 447,085	\$ 2,326,948	\$ 3,912,385	\$ 5,895,013	\$ 14,235,505
Customer Accounts	-	-	89,110	-	1,055	90,165
Due From Other Governmental Units	-	-	-	5,382	-	5,382
Inventories	-	-	-	-	216,200	216,200
Total Current Assets	<u>1,654,074</u>	<u>447,085</u>	<u>2,416,058</u>	<u>3,917,767</u>	<u>6,112,268</u>	<u>14,547,252</u>
Noncurrent Assets:						
Capital Assets:						
Buildings and Equipment	-	-	-	6,225,215	13,267,931	19,493,146
Improvements Other than Buildings	-	-	-	7,497	109,661	117,158
Construction in Progress	-	-	-	-	34,727	34,727
Less: Accumulated Depreciation	-	-	-	(4,862,214)	(8,343,445)	(13,205,659)
Total Capital Assets (Net of A/D)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,370,498</u>	<u>5,068,874</u>	<u>6,439,372</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,370,498</u>	<u>5,068,874</u>	<u>6,439,372</u>
Total Assets	<u>1,654,074</u>	<u>447,085</u>	<u>2,416,058</u>	<u>5,288,265</u>	<u>11,181,142</u>	<u>20,986,624</u>
LIABILITIES:						
Current Liabilities:						
Current Payables	17	7,082	221,146	374,440	267,578	870,263
Customer Deposits	-	-	300	-	-	300
Employee Leave Benefits - Current	-	4,184	34,058	70,754	39,954	148,950
Total Current Liabilities	<u>17</u>	<u>11,266</u>	<u>255,504</u>	<u>445,194</u>	<u>307,532</u>	<u>1,019,513</u>
Noncurrent Liabilities						
Employee Leave Benefits	-	960	7,818	16,241	9,171	34,190
Total Noncurrent Liabilities	<u>-</u>	<u>960</u>	<u>7,818</u>	<u>16,241</u>	<u>9,171</u>	<u>34,190</u>
Total Liabilities	<u>17</u>	<u>12,226</u>	<u>263,322</u>	<u>461,435</u>	<u>316,703</u>	<u>1,053,703</u>
NET POSITION:						
Invested in Capital Assets, Net of Related Debt	-	-	-	1,370,498	5,068,874	6,439,372
Unrestricted	1,654,057	434,859	2,152,736	3,456,332	5,795,565	13,493,549
Total Net Position	<u>\$ 1,654,057</u>	<u>\$ 434,859</u>	<u>\$ 2,152,736</u>	<u>\$ 4,826,830</u>	<u>\$ 10,864,439</u>	<u>\$ 19,932,921</u>

City of Auburn, Washington
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2014

	Insurance	Workers Comp Self Insurance	Facilities	Information Services	Equipment Rental	Total
OPERATING REVENUES:						
Charges for Services	\$ -	\$ 797,549	\$ 3,399,860	\$ 4,778,931	\$ 2,935,003	11,911,343
Other Operating Revenue	-	-	103,699	136,130	799	240,628
Total Operating Revenues	<u>-</u>	<u>797,549</u>	<u>3,503,559</u>	<u>4,915,061</u>	<u>2,935,802</u>	<u>12,151,971</u>
OPERATING EXPENSES:						
Operations & Maintenance	-	362,920	2,630,724	4,392,549	1,600,637	8,986,830
Administration	162,879	-	-	-	902,958	1,065,837
Depreciation/Amortization	-	-	-	562,487	774,092	1,336,579
Total Operating Expenses	<u>162,879</u>	<u>362,920</u>	<u>2,630,724</u>	<u>4,955,036</u>	<u>3,277,687</u>	<u>11,389,246</u>
Operating Income (Loss)	<u>(162,879)</u>	<u>434,629</u>	<u>872,835</u>	<u>(39,975)</u>	<u>(341,885)</u>	<u>762,725</u>
NON-OPERATING REVENUE (EXPENSE):						
Interest Revenue	1,205	230	2,081	3,366	5,475	12,357
Other Non-Operating Revenues	-	-	2,354	2,172	48,058	52,584
Gain (Loss) on Sale of Capital Assets	-	-	-	-	1,060	1,060
Total Non-Operating Revenue (Expense)	<u>1,205</u>	<u>230</u>	<u>4,435</u>	<u>5,538</u>	<u>54,593</u>	<u>66,001</u>
Income (Loss) Before Contributions	<u>(161,674)</u>	<u>434,859</u>	<u>877,270</u>	<u>(34,437)</u>	<u>(287,292)</u>	<u>828,726</u>
Transfers In (Note 5)	-	-	-	256,822	444,324	701,146
Transfers Out (Note 5)	-	-	(662,675)	-	(7,000)	(669,675)
Change in Net Position	<u>(161,674)</u>	<u>434,859</u>	<u>214,595</u>	<u>222,385</u>	<u>150,032</u>	<u>860,197</u>
Total Net Position - Beginning	1,815,731	-	1,938,141	4,604,445	10,714,407	19,072,724
Total Net Position - Ending	<u>\$ 1,654,057</u>	<u>\$ 434,859</u>	<u>\$ 2,152,736</u>	<u>\$ 4,826,830</u>	<u>\$ 10,864,439</u>	<u>19,932,921</u>

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended December 31, 2014

Page 1 of 2

	Insurance	Workers Comp Self Insurance	Facilities	Information Services	Equipment Rental	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received From Users	\$ -	\$ 797,549	\$ 3,511,162	\$ 4,912,732	\$ 2,936,058	\$ 12,157,501
Cash Paid to Suppliers for Goods & Services	(159,492)	(245,057)	(1,852,691)	(2,413,489)	(1,862,239)	(6,532,968)
Cash Paid for Taxes	(3,481)	-	-	(17)	-	(3,498)
Cash Paid to Employees	-	(105,637)	(758,733)	(2,050,657)	(822,855)	(3,737,882)
Net Cash Provided (Used) By Operating Activities	<u>(162,973)</u>	<u>446,855</u>	<u>899,738</u>	<u>448,569</u>	<u>251,763</u>	<u>1,883,952</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating Grant Received	-	-	2,354	-	-	2,354
Other Non-Operating Revenue	-	-	-	2,172	6,234	8,406
Transfers In	-	-	-	256,822	444,324	701,146
Transfers Out	-	-	(662,675)	-	(7,000)	(669,675)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(660,321)</u>	<u>258,994</u>	<u>443,558</u>	<u>42,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from Sale of Equipment	-	-	-	-	1,060	1,060
Purchase of Capital Assets	-	-	-	(649,628)	(1,003,986)	(1,653,614)
Proceeds from Insurance Settlement	-	-	-	-	42,663	42,663
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(649,628)</u>	<u>(960,263)</u>	<u>(1,609,891)</u>
CASH FLOW FROM INVESTING ACTIVITIES:						
Interest Received	<u>1,205</u>	<u>230</u>	<u>2,081</u>	<u>3,366</u>	<u>5,475</u>	<u>12,357</u>
Net Cash Provided (Used) in Investing Activities	<u>1,205</u>	<u>230</u>	<u>2,081</u>	<u>3,366</u>	<u>5,475</u>	<u>12,357</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(161,768)</u>	<u>447,085</u>	<u>241,498</u>	<u>61,301</u>	<u>(259,467)</u>	<u>328,649</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,815,842</u>	<u>-</u>	<u>2,085,450</u>	<u>3,851,084</u>	<u>6,154,480</u>	<u>13,906,856</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,654,074</u>	<u>\$ 447,085</u>	<u>\$ 2,326,948</u>	<u>\$ 3,912,385</u>	<u>\$ 5,895,013</u>	<u>\$ 14,235,505</u>
CASH AT END OF YEAR CONSISTS OF:						
Cash and Cash Equivalents	<u>1,654,074</u>	<u>447,085</u>	<u>2,326,948</u>	<u>3,912,385</u>	<u>5,895,013</u>	<u>14,235,505</u>
Total Cash	<u>\$ 1,654,074</u>	<u>\$ 447,085</u>	<u>\$ 2,326,948</u>	<u>\$ 3,912,385</u>	<u>\$ 5,895,013</u>	<u>\$ 14,235,505</u>

City of Auburn, Washington
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended December 31, 2014

	Insurance	Workers Comp Self Insurance	Facilities	Information Services	Equipment Rental	Total
RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (162,879)	\$ 434,629	\$ 872,835	\$ (39,975)	\$ (341,885)	\$ 762,725
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Depreciation	-	-	-	562,487	774,092	1,336,579
Asset (Increases) Decreases:						
Accounts Receivable	-	-	9,803	(2,329)	1,055	8,529
Inventory	-	-	-	-	(15,086)	(15,086)
Liability Increases (Decreases):						
Accounts & Vouchers Payable	(94)	7,082	18,736	(120,606)	(171,439)	(266,321)
Wages & Benefits Payable	-	-	(5,442)	46,921	3,868	45,347
Compensated Absences Payable	-	5,144	6,006	2,071	1,158	14,379
Total Adjustments	<u>(94)</u>	<u>12,226</u>	<u>26,903</u>	<u>488,544</u>	<u>593,648</u>	<u>1,121,227</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (162,973)</u>	<u>\$ 446,855</u>	<u>\$ 899,738</u>	<u>\$ 448,569</u>	<u>\$ 251,763</u>	<u>\$ 1,883,952</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Total Non Cash Investing, Capital and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
ASSETS:				
Cash and Cash Equivalents	\$ 1,118,339	\$ 1,327,740	\$ 1,721,296	\$ 724,783
Other Current Assets	4,758	120,833	125,123	468
Due from Other Governments	30,000	30,000	30,000	30,000
Total Assets	<u>\$ 1,153,097</u>	<u>\$ 1,478,573</u>	<u>\$ 1,876,419</u>	<u>\$ 755,251</u>
LIABILITIES:				
Due to Other Government Units	1,153,097	1,789,135	2,186,981	755,251
Total Liabilities	<u>\$ 1,153,097</u>	<u>\$ 1,789,135</u>	<u>\$ 2,186,981</u>	<u>\$ 755,251</u>

City of Auburn
STATISTICAL SECTION
 December 31, 2014

Financial Trends Information

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

Schedule 1	Net position by components	148
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Schedule 3	Fund balances, government funds.....	150
Schedule 4	Changes in fund balances, government funds	151
Schedule 5	Tax revenues by source, government funds	152

Revenue Capacity Information

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

Schedule 6	Assessed value by type	153
Schedule 7	Property tax data	154
Schedule 8	Property tax levies and collections	156
Schedule 9	Principal taxpayers-property taxes-sales taxes.....	157
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Debt Capacity Information

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

Schedule 11	Ratios of outstanding debt by type	159
Schedule 12	Computation of legal debt margin.....	160
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Schedule 14	Computation of net direct and estimated overlapping debt.....	161
Schedule 15	Ratios of net general bonded debt to assessed value	162
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Demographic and Economic Information

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

Schedule 17	Population, income and housing trends	164
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Operating Information

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

Schedule 19	Staffing levels by department	166
Schedule 20	Operating indicators by department	167
Schedule 21	Capital indicators by department.....	168
Schedule 22	Utility customers by customer class	168

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Invested in capital assets, net of related del	\$ 194,121,232	\$ 200,814,063	\$ 212,611,232	\$ 303,564,348	\$ 314,691,982	\$ 320,506,701	\$ 340,941,112	\$ 354,899,294	\$ 346,195,793	\$ 348,080,505
Restricted	23,442,309	26,839,342	24,519,024	28,965,599	12,741,566	15,180,467	14,230,963	13,164,116	15,019,909	16,404,328
Unrestricted	24,095,336	24,148,157	26,774,107	25,955,501	43,754,879	46,734,364	45,250,090	43,245,050	47,426,352	51,898,566
Total governmental activities net position	241,658,877	251,801,562	263,904,363	358,485,448	371,188,427	382,421,532	400,422,165	411,308,460	408,642,054	416,383,399
Business-type activities:										
Invested in capital assets, net of related del	115,137,273	125,265,152	130,515,163	144,626,496	150,621,492	152,343,987	166,289,542	173,709,864	165,619,867	169,098,916
Restricted	2,238,611	6,987,485	1,227,395	933,914	2,071,219	4,107,128	4,153,982	4,719,058	16,839,589	14,115,610
Unrestricted	32,513,576	25,693,517	40,655,261	35,859,489	29,546,169	28,642,334	30,523,974	30,439,381	32,880,216	37,724,080
Total business-type activities net position	149,889,460	157,946,154	172,397,819	181,419,899	182,238,880	185,093,449	200,967,498	208,868,303	215,339,672	220,938,606
Primary government:										
Invested in capital assets, net of related del	309,258,505	326,079,215	343,126,395	448,190,844	465,313,474	472,850,688	507,230,654	528,609,158	511,815,660	517,179,421
Restricted	25,680,920	33,826,827	25,746,419	29,899,513	14,812,785	19,287,595	18,384,945	17,883,174	31,859,498	30,519,938
Unrestricted	56,608,912	49,841,674	67,429,388	61,814,990	73,301,048	75,376,698	75,774,064	73,684,431	80,306,568	89,622,646
Total primary government net position	\$ 391,548,337	\$ 409,747,716	\$ 436,302,182	\$ 539,905,347	\$ 553,427,307	\$ 567,514,981	\$ 601,389,663	\$ 620,176,763	\$ 623,981,726	\$ 637,322,005

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)

	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014
General Fund										
Unreserved	\$ 15,938,825	\$ 14,448,328	\$ 14,462,720	\$ 13,071,091	\$ 13,237,851	\$ 15,382,354	\$ -	\$ -	\$ -	\$ -
Nonspendable							-	370,400	127	127
Assigned							7,082,130.0	5,935,567	5,892,611	4,045,598
Unassigned							14,193,365.0	17,395,933	17,751,778	20,914,093
Total General Fund	15,938,825	14,448,328	14,462,720	13,071,091	13,237,851	15,382,354	21,275,495	23,701,900	23,644,516	24,959,818
All other governmental funds										
Reserved	1,375,591	1,376,798	1,501,033	1,507,565	1,538,038	1,592,378				
Unreserved, Reported In:										
Special Revenue Funds	8,967,039	10,738,431	13,124,661	14,463,370	15,184,058	15,486,918				
Capital Projects Funds	13,111,273	14,727,423	9,873,331	12,990,032	10,422,360	12,589,604				
Permanent Funds	232,832	188,524	170,983	144,396	153,503	132,717				
Total Unreserved	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	1,536,316	1,574,148
Restricted							12,781,743	11,688,536	13,483,593	14,830,180
Committed							3,134,449	3,258,257	3,242,662	5,066,181
Assigned							3,120,372	2,388,684	4,976,833	4,725,119
Total All Other Governmental Funds	\$ 23,686,735	\$ 27,031,176	\$ 24,670,008	\$ 29,105,363	\$ 27,297,959	\$ 29,801,617	\$ 20,490,104	\$ 18,811,057	\$ 23,239,404	\$ 26,195,628

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 41,467,853	\$ 44,867,161	\$ 46,721,651	\$ 43,781,530	\$ 42,514,006	\$ 43,069,695	\$ 44,812,975	\$ 46,003,582	\$ 48,545,041	\$ 51,718,489
Licenses and permits	2,227,963	1,683,320	1,606,950	1,110,722	1,326,875	1,311,916	1,769,516	2,344,643	3,041,948	2,400,662
Intergovernmental	6,826,222	6,831,240	5,766,484	8,369,888	9,616,067	9,656,529	16,174,149	20,045,299	11,854,984	9,379,699
Charges for services	3,939,610	3,659,773	5,017,224	3,784,544	3,473,199	3,073,168	2,938,815	4,006,762	3,891,776	5,717,712
Fines and forfeits	777,241	1,054,201	2,155,120	2,059,771	1,911,034	2,472,411	1,940,326	1,592,957	1,441,603	1,258,408
Special assessments	153,627	75,574	52,291	57,402	107,597	43,502	32,972	39,115	40,772	472,800
Investment earnings	1,175,258	1,477,368	2,456,291	1,363,375	484,696	386,890	237,056	200,826	144,151	135,709
Miscellaneous	1,247,252	1,865,079	877,473	1,296,349	1,142,428	3,023,589	2,322,580	871,191	621,673	1,691,274
Total revenues	57,815,026	61,513,716	64,653,484	61,823,581	60,575,902	63,037,699	70,228,389	75,104,375	69,581,948	72,774,753
Expenditures										
General government	5,308,663	6,062,037	6,834,084	7,719,205	7,864,410	7,770,957	8,310,037	8,761,452	7,300,667	7,712,018
Public safety	27,169,657	29,148,278	33,568,753	26,023,912	25,762,116	24,597,986	27,399,406	24,039,435	27,146,590	27,264,294
Transportation	10,337,587	9,403,147	7,385,929	8,910,967	9,850,579	10,054,434	16,059,156	20,766,134	15,119,530	8,979,583
Physical environment	2,191,796	2,435,201	3,352,466	3,490,636	3,192,089	2,480,641	2,290,328	2,526,526	2,855,908	3,086,738
Economic environment	1,877,675	1,928,978	2,142,282	2,530,827	3,028,684	2,597,849	3,138,590	2,876,558	2,692,389	2,783,898
Health and human services	602,726	763,156	416,456	776,224	527,029	568,911	616,717	616,583	631,997	626,681
Culture and recreation	4,815,643	5,016,554	6,571,275	6,296,743	6,622,546	6,663,881	6,918,623	7,228,345	7,925,325	9,759,110
Capital outlay ⁽¹⁾	507,484	3,822,895	7,346,316	4,778,334	30,338,508	8,486,382	8,597,944	4,007,018	2,746,599	3,394,886
Debt service:										
Principal	10,582,246	420,631	435,093	456,655	479,661	26,683,671	1,208,512	1,219,137	2,238,181	2,704,468
Interest / other	315,960	247,551	203,266	264,997	296,241	1,775,746	1,761,334	2,245,858	2,709,768	2,892,281
Total expenditures	63,709,437	59,248,428	68,255,920	61,248,500	87,961,863	91,680,457	76,300,647	74,287,046	71,366,954	69,203,957
Excess of revenues over (under) expenditures	(5,894,411)	2,265,288	(3,602,436)	575,081	(27,385,961)	(28,642,758)	(6,072,258)	817,329	(1,785,006)	3,570,796
Other financing sources (uses)										
Transfers in	9,753,294	8,873,200	6,103,144	7,386,082	6,994,306	9,442,727	7,410,926	6,643,116	4,776,100	5,309,769
Transfers out	(11,703,804)	(9,554,816)	(5,542,988)	(7,993,842)	(6,997,801)	(7,745,568)	(6,242,333)	(7,005,097)	(4,450,925)	(5,003,448)
Capital leases	-	-	695,504	17,728	24,549,186	-	-	-	-	-
Insurance recoveries	-	-	-	-	114,607	200,642	154,200	291,210	192,898	136,585
Issuance of debt	-	142,313	-	360,000	957,278	31,172,273	-	-	3,044,491	240,366
Issuance of refunding bond	-	-	-	-	-	2,150,000	-	-	-	-
Debt Premium	-	-	-	-	-	305,844	-	-	-	-
Payment to escrow agent - refunded bon	-	-	-	-	-	(2,235,000)	-	-	-	-
Sales of capital assets	811,353	127,959	-	2,698,677	127,741	-	1,331,092	800	2,593,405	17,458
Total other financing sources (uses)	(1,139,157)	(411,344)	1,255,660	2,468,645	25,745,317	33,290,918	2,653,885	(69,971)	6,155,969	700,730
Net change in fund balances	\$ (7,033,568)	\$ 1,853,944	\$ (2,346,776)	\$ 3,043,726	\$ (1,640,644)	\$ 4,648,159	\$ (3,418,373)	\$ 747,358	\$ 4,370,963	\$ 4,271,526
Debt service as a percentage of noncapita expenditures	19.81%	1.39%	1.12%	1.42%	1.54%	37.50%	5.44%	6.64%	8.71%	10.68%

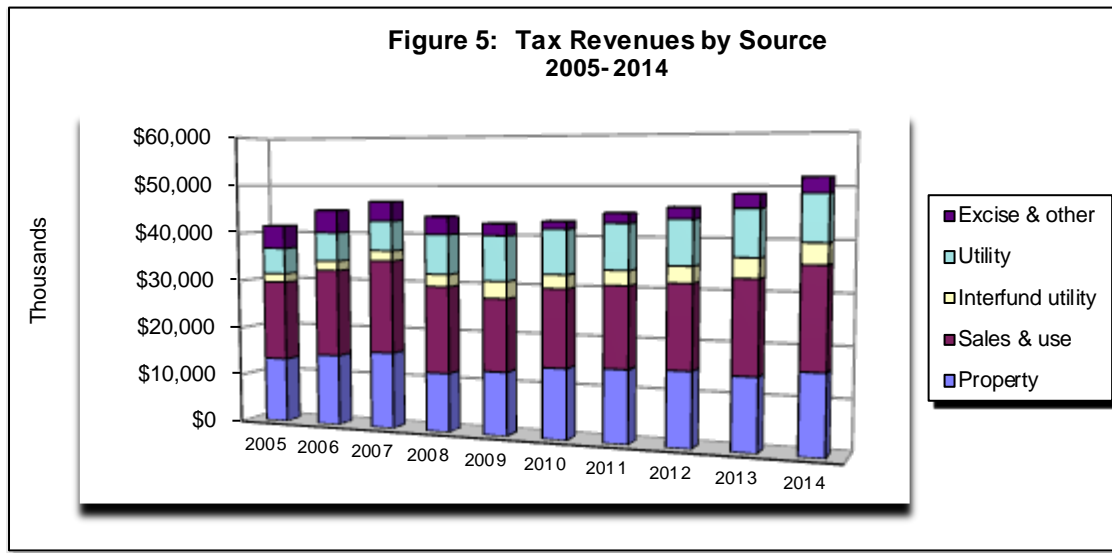
1) Capital outlay reported in governmental funds for 2014 are \$3,394,886 plus \$5,074,611 which is reported for each functional activity with the other funds results in total capital outlay of \$8,469,497 as reported on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund 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
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
2013	14,535,673	18,335,157	3,892,250	9,156,636	2,555,850	69,475	48,545,041
2014	15,933,338	19,744,684	4,068,667	9,040,015	2,888,797	42,988	51,718,489
Change							
2005-2014	19.6%	20.9%	127.0%	69.0%	-37.6%	7.3%	24.7%

Source: City of Auburn, Finance Department



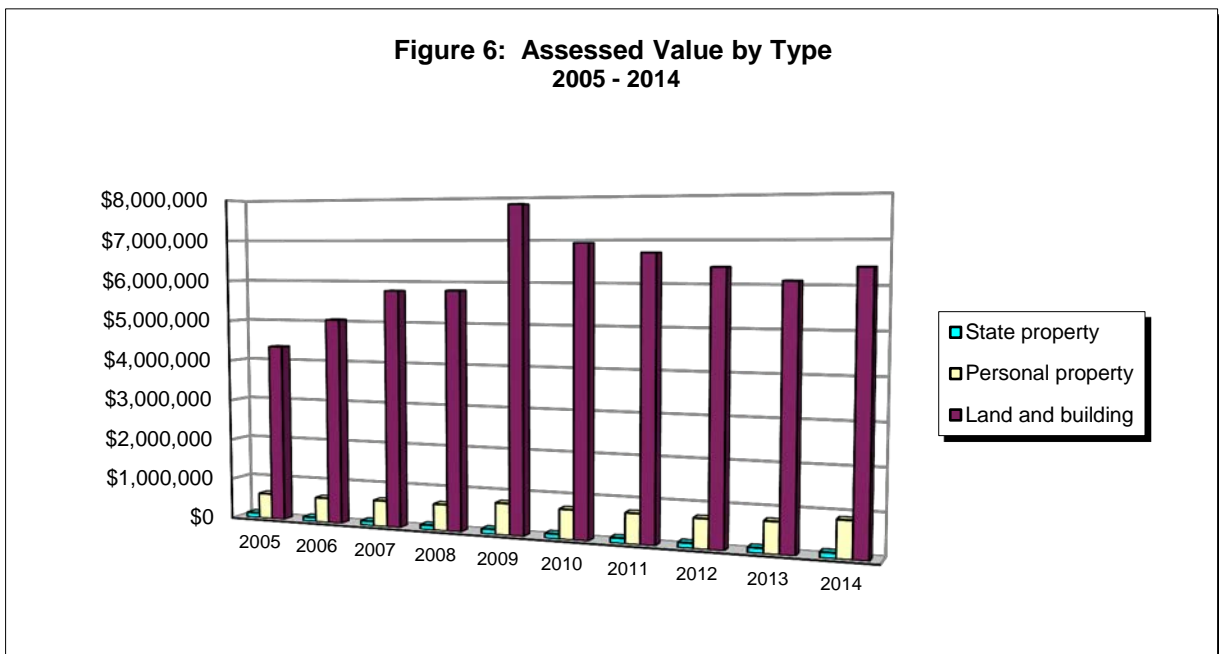
City of Auburn, Washington
SCHEDULE 6
ASSESSED VALUE BY TYPE
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

Fiscal Year	State Property and Other	Personal Property	Land and Building	Total Assessed Value	Total Direct Rate
2005	116,895	623,298	4,359,276	5,099,469	2.87
2006	101,419	607,875	5,055,734	5,765,028	2.73
2007	107,302	635,352	5,783,641	6,526,295	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
2013	124,230	745,891	6,098,598	6,968,719	2.10
2014	132,854	880,015	6,409,300	7,422,169	2.17

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

King County data came from Hazel Gantz. Pierce County data came from Kim Fleshman.

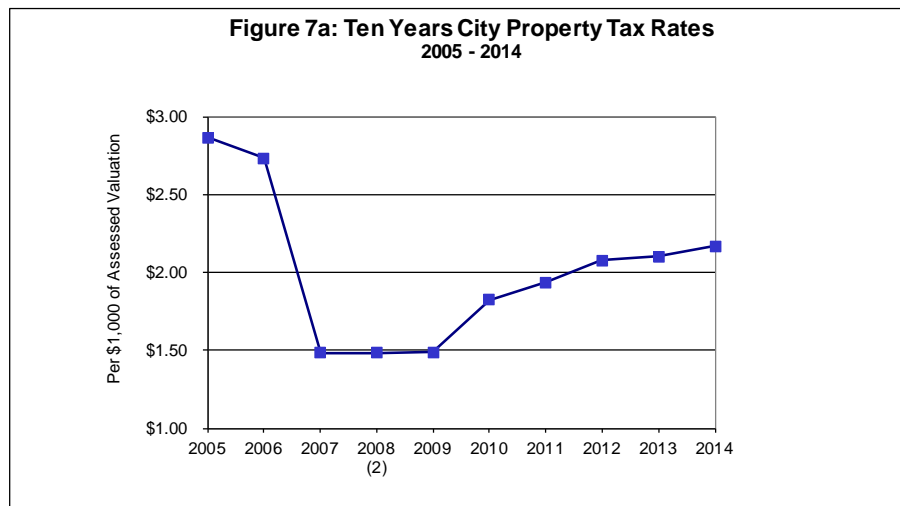


City of Auburn, Washington
SCHEDULE 7
PROPERTY TAX DATA
 Last Ten Fiscal Years

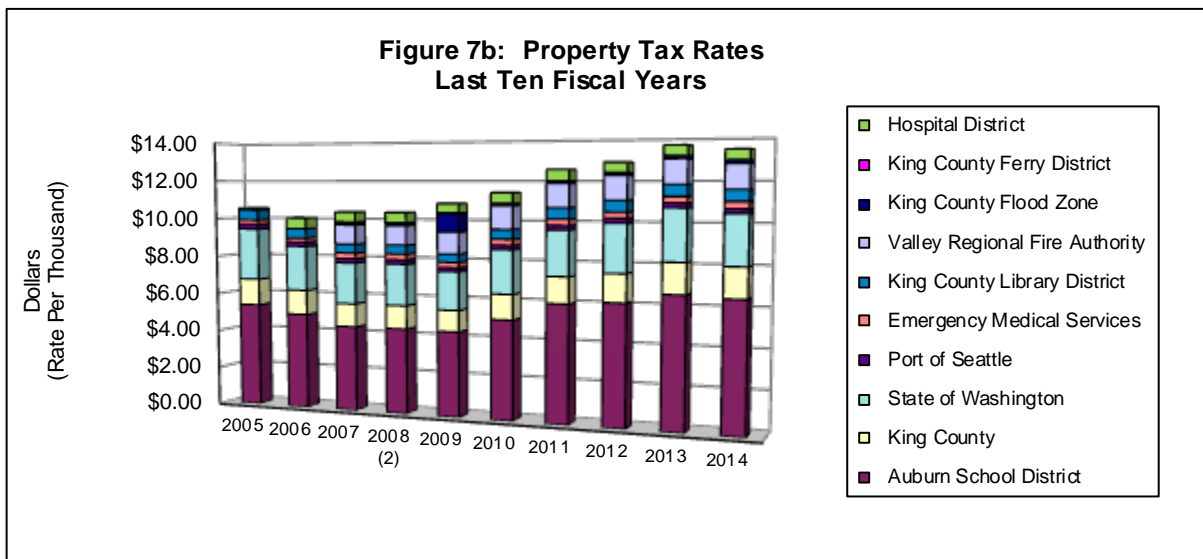
Item	2005	2006	2007	2008 ⁽²⁾
Assessed and estimated actual values ⁽¹⁾				
Estimated and actual value (in thousands)	\$ 5,099,469	\$ 5,765,028	\$ 6,526,295	\$ 6,556,690
Assessed value (in thousands)	5,099,469	5,765,028	6,526,295	6,556,690
Ratio of assessed to actual	100%	100%	100%	100%
Property tax rates ⁽¹⁾				
Direct regular and special				
General fund	\$ 2.86520	\$ 2.73076	\$ 1.48385	\$ 1.48385
Debt service funds	-	-	-	-
Subtotal	2.86520	2.73076	1.48385	1.48385
Overlapping regular and special ⁽¹⁾				
Auburn School District	\$ 5.37195	\$ 4.94903	\$ 4.40970	\$ 4.40970
King County	1.38229	1.28956	1.20770	1.20770
State of Washington	2.68951	2.32535	2.13233	2.13233
Port of Seattle	0.25321	0.23158	0.22359	0.22359
Emergency Medical Services	0.23182	0.20621	0.30000	0.30000
Hospital District	0.09039	0.55652	0.50854	0.50854
King County Library District	0.53255	0.50027	0.45336	0.45336
Valley Regional Fire Authority	-	-	1.00000	1.00000
King County Flood Zone	-	-	0.10000	0.10000
King County Ferry District	-	-	0.05500	0.05500
Subtotal	10.55172	10.05852	10.39022	10.39022
Total direct and overlapping	<u>\$ 13.41692</u>	<u>\$ 12.78928</u>	<u>\$ 11.87407</u>	<u>\$ 11.87407</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.



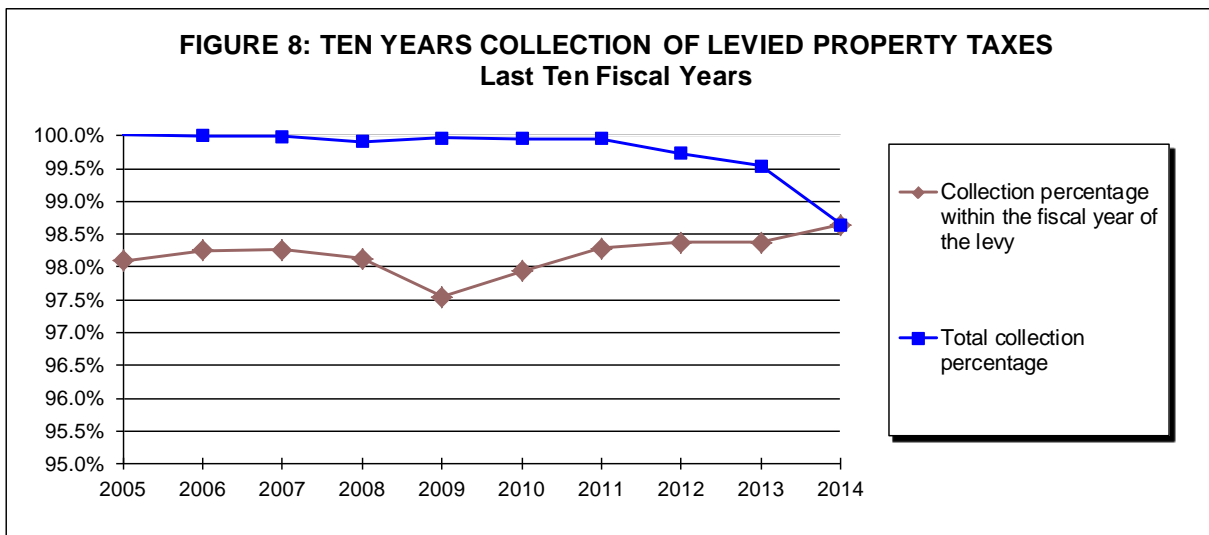
2009	2010	2011	2012	2013	2014
\$ 8,723,864	\$ 7,765,878	\$ 7,564,507	\$ 7,225,550	\$ 6,968,719	\$ 7,422,169
8,723,864	7,765,878	7,564,507	7,225,550	6,968,719	7,422,169
100%	100%	100%	100%	100%	100%
\$ 1.48678	\$ 1.82336	\$ 1.93458	\$ 2.07527	\$ 2.10000	\$ 2.16739
-	-	-	-	-	-
1.48678	1.82336	1.93458	2.07527	2.10000	2.16739
\$ 4.37709	\$ 5.09382	\$ 5.99562	\$ 6.14004	\$ 6.62190	\$ 6.50262
1.09772	1.28499	1.33816	1.41588	1.54051	1.51605
1.96268	2.22253	2.27990	2.42266	2.56720	2.47044
0.19700	0.21597	0.22366	0.22982	0.23324	0.21533
0.27404	0.30000	0.30000	0.30000	0.30000	0.33500
0.47141	0.53290	0.55753	0.50000	0.50000	0.50000
0.41736	0.48526	0.56621	0.56992	0.56743	0.56175
1.10995	1.17910	1.17977	1.18925	1.20479	1.20294
0.91230	0.10514	0.10976	0.11616	0.13210	0.15369
0.05018	0.00348	0.00360	0.00372	0.00378	0.00349
10.86973	11.42319	12.55421	12.88745	13.67095	13.46131
\$ 12.35651	\$ 13.24655	\$ 14.48879	\$ 14.96272	\$ 15.77095	\$ 15.62870



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:							
2005	12,635,747	\$ 12,393,241	98.1%	243,409	\$ 12,636,650	100.0%	\$ (903)
2006	13,399,723	13,164,248	98.2%	234,729	13,398,977	100.0%	746
2007	13,843,719	13,605,301	98.3%	237,182	13,842,483	100.0%	1,236
2008	9,559,885	9,406,398	98.4%	143,452	9,549,850	99.9%	10,034
2009	11,667,619	11,390,684	97.6%	273,054	11,663,738	100.0%	3,880
2010	12,714,321	12,459,564	98.0%	248,554	12,708,118	100.0%	6,203
2011	13,071,563	12,846,996	98.3%	217,819	13,064,814	99.9%	6,749
2012	13,393,350	13,167,731	98.3%	186,768	13,354,499	99.7%	38,851
2013	12,894,799	12,673,712	98.3%	158,170	12,831,882	99.5%	62,918
2014	14,175,002	13,970,560	98.6%	-	13,970,560	98.6%	204,442
							\$ 334,157
Pierce County:							
2005	783,135	\$ 769,223	98.2%	13,911	\$ 783,134	100.0%	\$ 0
2006	1,242,038	1,220,642	98.3%	21,376	1,242,018	100.0%	20
2007	1,851,622	1,816,706	98.1%	34,876	1,851,582	100.0%	40
2008	1,226,764	1,177,665	96.0%	49,073	1,226,738	100.0%	26
2009	1,264,380	1,223,668	96.8%	40,688	1,264,356	100.0%	25
2010	1,489,759	1,451,377	97.4%	38,352	1,489,729	100.0%	30
2011	1,425,411	1,401,537	98.3%	23,767	1,425,304	100.0%	107
2012	1,495,420	1,478,223	98.9%	16,475	1,494,698	100.0%	722
2013	1,484,398	1,471,129	99.1%	9,562	1,480,691	99.8%	3,707
2014	1,595,567	1,586,010	99.4%	-	1,586,010	99.4%	9,556
							\$ 14,233
Total current levy balance							\$ 348,391

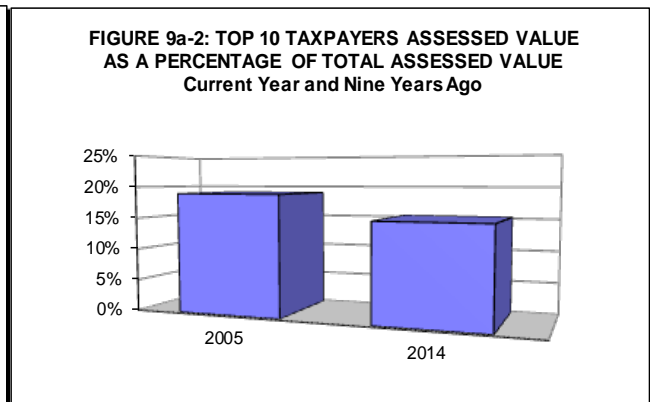
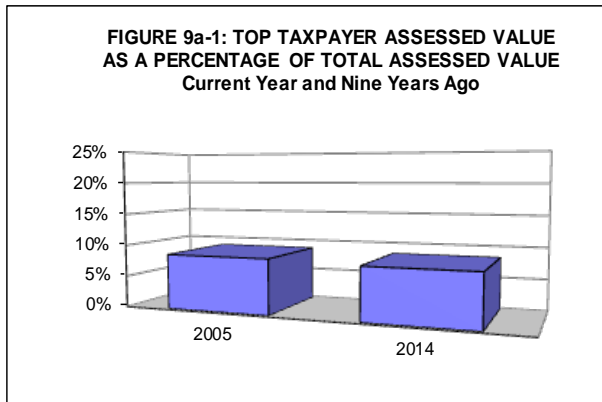
Source: King County Finance and Business Operations Division
 Pierce County Budget and Finance Department



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

Taxpayer	2014			2005		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Boeing Company	\$ 611,988,779	1	8.25%	\$ 443,158,585	1	8.69%
Glimcher Supermall Venture	86,951,812	2	1.17%	91,787,840	3	1.80%
Safeway	74,933,312	3	1.01%	126,219,866	2	2.48%
EPropertyTax Inc.	74,754,500	4	1.01%	65,348,900	4	1.28%
Puget Sound Energy	69,112,597	5	0.93%	53,200,729	5	1.04%
Muckleshoot Indian Tribe	54,917,400	6	0.74%	52,900,500	6	1.04%
Belara Communities LLC	54,061,800	7	0.73%			
PPF Industrial (formerly UPS Supply Chain Solutions)	43,081,100	8	0.58%	41,020,600	8	0.80%
Wal-Mart Property	32,203,327	9	0.43%			
Four Lakes Apartments LLC	29,323,400	10	0.40%			
Complex Property Advisors Corporation				52,600,733	7	1.03%
Qwest Corporation				21,647,084	9	0.42%
Roundup Co. (Fred Meyer)				18,934,404	10	0.37%
TOTALS	\$ 1,131,328,027		15.24%	\$ 966,819,241		18.96%

Source: King County and Pierce County Departments of Assessments
 Total assessed value for 2014: \$ 7,422,168,137
 Total assessed value for 2005: \$ 5,099,469,000



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

2014				2005			
Sales Tax Received	Sector ⁽¹⁾	Rank	Percentage of Total City Sales Taxes	Sales Tax Received	Sector ⁽¹⁾	Rank	Percentage of Total City Sales Taxes
\$ 806,869	Transportation Manufacturing	1	5.2%	\$ 435,215	Distribution	1	2.7%
449,536	General Merchandise Store	2	2.9%	403,010	General Retail	2	2.5%
386,983	Automotive	3	2.5%	387,389	Automotive	3	2.4%
360,318	Automotive	4	2.3%	296,909	General Retail	4	1.8%
323,393	Automotive	5	2.1%	273,091	Automotive	5	1.7%
287,739	Automotive	6	1.8%	258,319	Automotive	6	1.6%
283,004	Construction	7	1.8%	256,941	Automotive	7	1.6%
242,936	General Merchandise Store	8	1.6%	232,726	General Retail	8	1.4%
219,040	Automotive	9	1.4%	219,434	General Retail	9	1.3%
205,857	Bldg. Material & Garden	10	1.3%	205,958	Distribution	10	1.3%
\$ 3,565,675			22.8%	\$ 2,968,992			18.2%

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RETAIL TRADE SECTOR										
Automotive/gas	\$ 3,326	\$ 3,428	\$ 3,643	\$ 3,255	\$ 2,559	\$ 2,553	\$ 2,785	\$ 3,019	\$ 3,136	\$ 3,309
Furniture	218	263	268	241	220	194	218	226	235	254
Electronics & appliances	451	288	262	242	132	121	127	145	174	237
Building materials	488	594	615	521	358	389	383	425	447	502
Food stores	358	346	378	360	352	354	331	341	335	353
Health & personal care	120	130	143	152	150	144	148	149	174	188
Apparel	836	874	899	873	781	752	754	772	889	1,009
General merchandise	970	941	974	872	833	801	968	967	974	955
Misc retail trade	724	939	1,334	1,234	755	834	851	897	990	1,182
	7,491	7,803	8,516	7,750	6,140	6,142	6,566	6,943	7,354	7,989
SERVICE SECTOR										
Information	506	507	531	489	457	979	481	396	446	487
Finance & insurance	86	84	85	85	83	68	66	53	91	88
Real estate, rental, leasaing	294	311	330	394	304	288	304	326	279	315
Professional, scientific, technical	119	116	162	146	200	191	175	173	184	216
Administrative, supply & remediation service:	197	195	301	261	261	239	295	334	336	350
Educational	81	81	87	91	42	56	53	54	50	49
Healthcare & social serivces	45	33	88	98	61	37	41	115	33	66
Arts & entertainment	104	126	172	171	147	154	149	153	149	158
Accomodation & food service	764	833	870	915	827	806	839	921	979	1,067
Other services	477	492	502	457	485	493	482	530	507	526
	2,673	2,779	3,128	3,107	2,867	3,310	2,882	3,056	3,054	3,322
OTHER SECTORS										
Construction	2,008	2,453	2,240	1,647	1,368	1,322	1,296	1,221	1,943	1,754
Manufacturing	414	486	625	643	383	411	583	405	624	1,163
Transportation	31	26	22	76	31	29	77	55	46	71
Wholesaling	2,313	2,571	2,943	2,306	1,073	1,180	1,260	1,297	1,279	1,205
Other business	73	72	143	72	47	128	224	61	64	120
Subtotal - other sectors	4,839	5,607	5,973	4,744	2,902	3,071	3,439	3,038	3,956	4,312
GRAND TOTAL	\$ 15,003	\$ 16,189	\$ 17,617	\$ 15,601	\$ 11,909	\$ 12,523	\$ 12,887	\$ 13,037	\$ 14,364	\$ 15,623

OVERLAPPING SALES TAX RATES

Basic sales tax rates

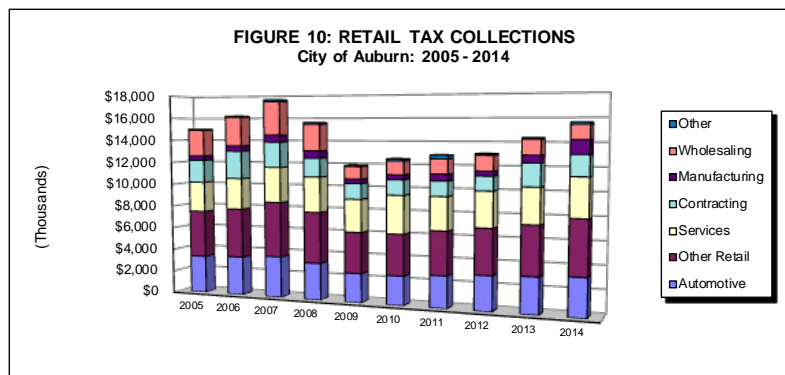
City of Auburn	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Washington State	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
King County	0.15%	0.15%	0.15%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Regional Transit Authority	0.40%	0.40%	0.40%	0.40%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
Metro	0.80%	0.80%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
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%	8.90%	9.00%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%

Special sales tax rates

Restaurants-for stadium funding ⁽¹⁾	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.00%	0.00%	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) This tax expired on October 1, 2011

Source: City of Auburn Finance Department and State of Washington

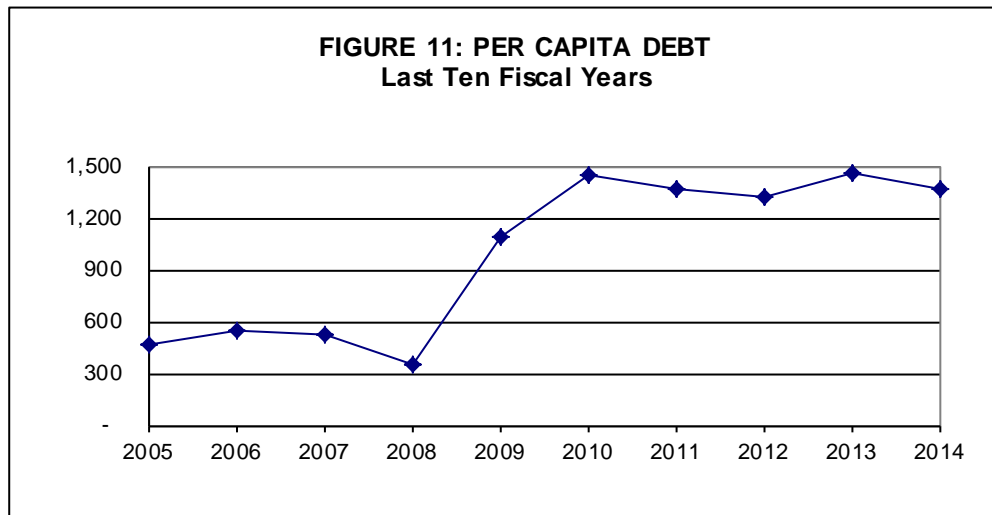


City of Auburn, Washington
SCHEDULE 11
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

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			
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	61,900,771	-	524,498	23,057,333	8,687,599	94,170,201	5.05%	1,321.87
2013	59,568,505	-	480,771	34,292,569	12,442,903	106,784,748	5.57%	1,458.11
2014	57,367,766	-	435,068	32,813,473	11,808,711	102,425,018	5.12%	1,372.44

Source: City of Auburn, Finance Department

(1) Personal income data provided by US Census Bureau estimate for 2013, 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, 2014

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Spaces	Utility Purpose	
December 31, 2014 - Total Assessed Value:					
\$	8,238,289,417				
2.5% of Assessed Value	\$ -	\$ 205,957,235	\$ 205,957,235	\$ 205,957,235	\$ 617,871,705
1.5% of Assessed Value	123,574,341	(123,574,341)	-	-	-
Statutory Debt Limit	123,574,341	82,382,894	205,957,235	205,957,235	617,871,705
Debt Outstanding	61,892,041	-	-	-	61,892,041
Net Debt Outstanding	61,892,041	-	-	-	61,892,041
Remaining Debt Capacity	<u>\$ 61,682,300</u>	<u>\$ 82,382,894</u>	<u>\$ 205,957,235</u>	<u>\$ 205,957,235</u>	<u>\$ 555,979,664</u>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 350,782	\$ 432,377	\$ 489,472	\$ 653,979	\$ 577,669	\$ 565,822	\$ 539,989	\$ 518,188	\$ 546,602	\$ 617,872
Total net debt applicable to limit	17,055	11,352	10,757	10,771	62,671	66,868	65,364	63,815	64,047	61,892
Legal debt margin	<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>	<u>\$ 482,554</u>	<u>\$ 555,980</u>
Total net debt applicable to the limit as a percentage of debt limit	4.86%	2.63%	2.20%	1.65%	10.85%	11.82%	12.10%	12.32%	11.72%	10.02%

City of Auburn, Washington
SCHEDULE 14
COMPUTATION OF NET DIRECT AND ESTIMATED OVERLAPPING DEBT
As of December 31, 2014

	Net Debt Outstanding	Percent Applicable ⁽³⁾	Bonded Amount Applicable
Net direct debt:			
Net direct debt - City of Auburn ⁽¹⁾			\$ 60,755,459
Estimated net overlapping debt: ⁽²⁾			
King County	\$ 796,669,841	1.93%	\$ 15,375,728
Port of Seattle	225,420,000	1.93%	4,350,606
School District No. 210	180,621,765	2.34%	4,226,549
School District No. 408	162,285,000	78.57%	127,507,325
School District No. 415	161,158,113	1.27%	2,046,708
Rural Library District	118,264,183	3.29%	3,890,892
Valley Regional Fire Authority	15,480,000	89.97%	13,927,356
Pierce County	171,102,977	0.95%	1,625,478
Total estimated net overlapping debt			<u>172,950,642</u>
Total direct and overlapping debt			<u>\$ 233,706,101</u>

Sources:

- (1) City of Auburn finance department; includes both bonded and non bonded debt related to government activities
(2) Overlapping governments
(3) King County Assessors office and Pierce County Assessors office.

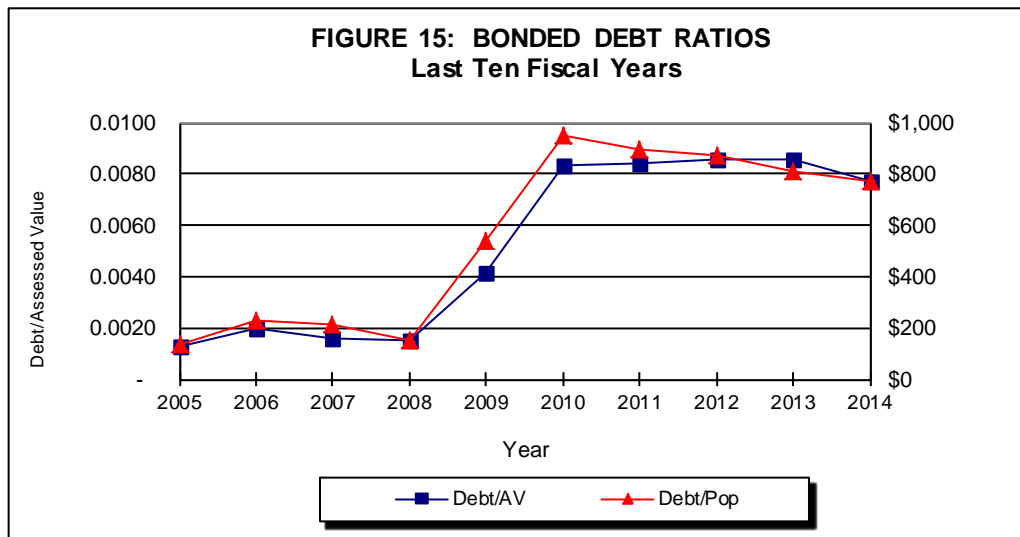
Calculation of overlapping debt: applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Auburn.

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)	Net Bonded Debt ⁽²⁾	Debt Service Amount ⁽³⁾ Available	Net Bonded Debt (Thousands)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2005	47,470	5,099,469	\$ 6,478,000	\$ 14,256	\$ 6,464	0.13%	\$ 136
2006	48,955	5,765,028	11,210,000	25,372	11,185	0.19%	229
2007	50,470	6,526,295	10,650,000	35,810	10,614	0.16%	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	61,900,771	46,155	61,855	0.86%	869
2013	73,235	6,968,719	59,568,505	-	59,569	0.85%	813
2014	74,630	7,422,169	57,367,766	-	57,368	0.77%	769

Notes:

- (1) From Schedule 6
- (2) Amount includes both bonded and non bonded debt related to government activities
- (3) Fund balance from debt service fund.



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

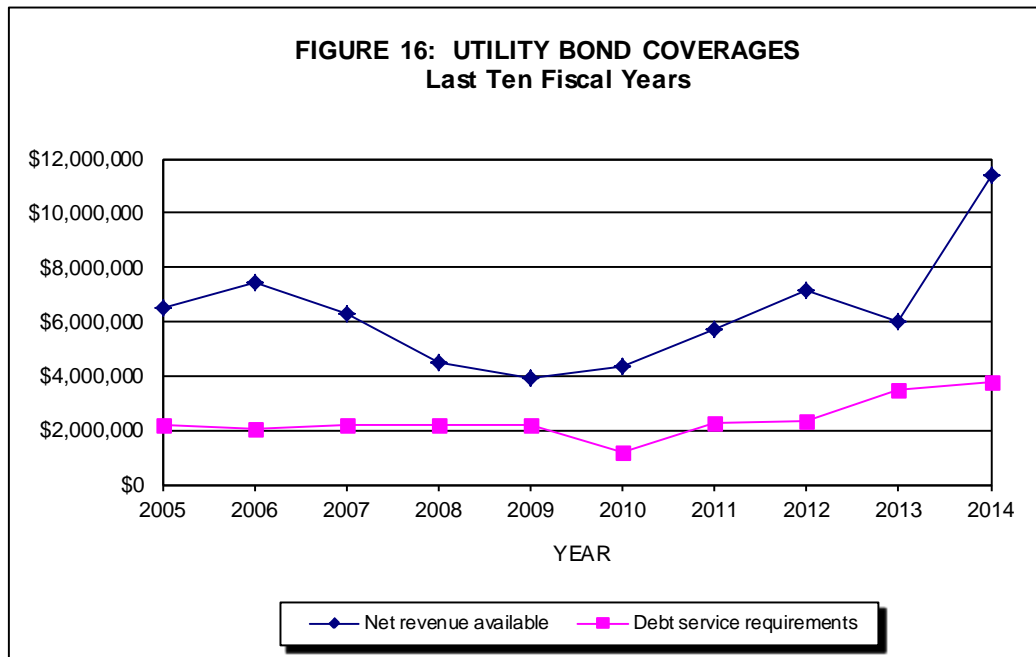
Year	Gross ⁽¹⁾ Revenue	Direct ⁽²⁾ Operating Expense	Net Revenue Available	Debt Service Requirements			Times Coverage
				Principal	Interest	Total ⁽³⁾	
2005	24,562,487	18,078,747	\$ 6,483,740	\$ 1,800,568	\$ 417,834	\$ 2,218,402	2.92
2006	27,087,351	19,615,315	7,472,036	1,718,412	333,016	2,051,428	3.64
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
2013	42,406,722	36,406,640	6,000,082	1,943,830	1,508,405	3,452,235	1.74
2014	46,900,016	35,502,812	11,397,204	2,197,667	1,599,347	3,797,014	3.00

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.

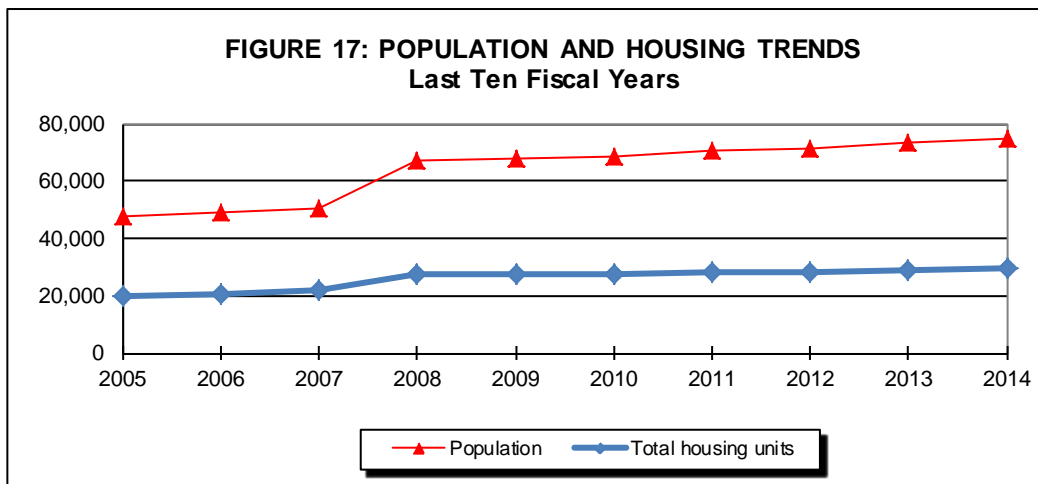


City of Auburn, Washington
SCHEDULE 17
POPULATION, INCOME AND HOUSING TRENDS
 Last Ten Fiscal Years

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
School enrollment ⁽¹⁾	13,760	14,367	14,559	14,716	14,589	14,482	14,363	14,596	14,971	15,248
Rate of unemployment ⁽²⁾	5.4%	4.8%	4.2%	5.5%	9.5%	9.6%	8.7%	7.7%	6.0%	5.3%
Population ⁽³⁾	47,470	48,955	50,470	67,005	67,485	68,270	70,705	71,240	73,235	74,630
Personal income (thousands of dollars) ⁽⁴⁾	\$1,247,566	\$1,342,818	\$1,444,871	\$2,024,087	\$1,989,661	\$1,848,752	\$1,901,540	\$1,871,973	\$1,917,219	\$ 2,000,606
Per capita personal income ⁽⁴⁾	\$ 26,281	\$ 27,430	\$ 28,628	\$ 30,208	\$ 29,483	\$ 27,080	\$ 26,894	\$ 26,277	\$ 26,179	\$ 26,807
Housing units ⁽⁵⁾										
One unit	9,105	9,402	9,625	14,186	14,235	14,333	14,823	14,957	15,393	15,804
Two or more	8,655	8,943	9,623	10,375	10,391	10,426	10,592	10,631	10,841	10,841
Mobile home or special	2,346	2,407	2,382	2,761	2,782	2,794	2,635	2,618	2,630	2,631
Total housing units	20,106	20,752	21,630	27,322	27,408	27,553	28,050	28,206	28,864	29,276

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	2014			2005		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Boeing Company	Aerospace	6,100	1	17.3%	4,200	1	11.7%
The Outlet Collection	Retail	3,200	2	9.1%			
Auburn School District	Education	2,373	3	6.7%	1,995	3	5.5%
Muckleshoot Tribal Enterprises	Gaming	1,643	4	4.6%	2,100	2	5.8%
Green River Community College	Education	1,121	5	3.2%	850	4	2.4%
Emerald Downs Racetrack	Horse racing	1,144	6	3.2%	500	8	1.4%
Multicare Auburn Medical Center*	Hospital	1,106	7	3.1%	625	5	1.7%
Safeway Distribution Center	Distribution Center	905	8	2.6%			
Social Security Administration	Govt / public offices	650	9	1.8%	600	6	1.7%
Zones, Inc.	Technology reseller	600	10	1.7%	500	9	1.4%
Certainteed Corporation	Construction	-			575	7	1.6%
City of Auburn	City government				455	10	1.3%
TOTALS		18,842		53.3%	12,400		34.5%

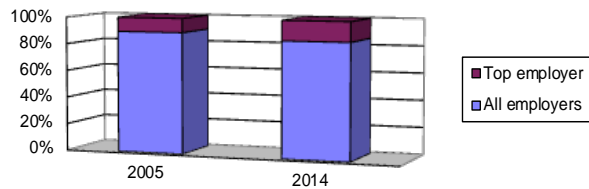
Sources: WA Employment Security Department

* Was previously Auburn Regional Medical Center.

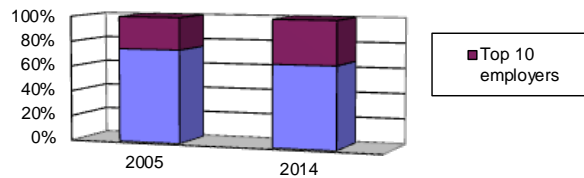
2014 - City of Auburn, Economic Development

2005 - City of Auburn, 2005 CAFR

**FIGURE 18a: AUBURN EMPLOYMENT BASE
 PERCENTAGE OF TOP EMPLOYER COMPARED TO ALL
 EMPLOYERS
 Last Ten Fiscal Years**



**FIGURE 18b: AUBURN EMPLOYMENT BASE
 PERCENTAGE OF TOP 10 EMPLOYERS COMPARED TO
 ALL EMPLOYERS
 Last Ten Fiscal Years**

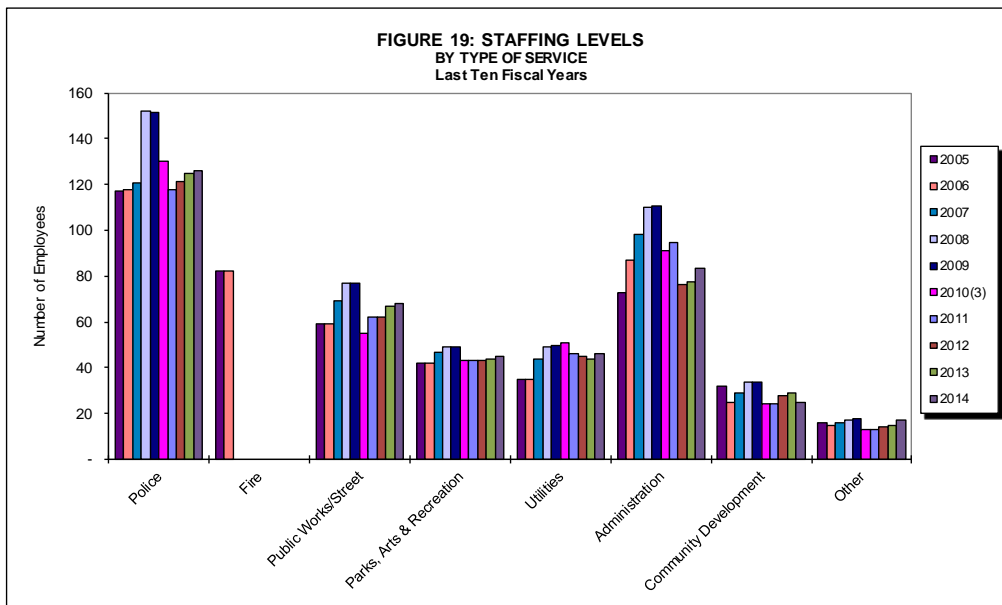


City of Auburn, Washington
SCHEDULE 19
STAFFING LEVELS BY DEPARTMENT
 Last Ten Fiscal Years

Department	2005	2006	2007	2008	2009	2010 ⁽³⁾	2011	2012	2013	2014
Mayor	8	10	11	12	12	10	10	7	7	3
Administration ⁽⁵⁾	-	-	-	-	-	-	-	-	-	8
Human Resources	7	15	17	18	9	7	7	8	8	8
Finance	21	23	24	25	25	21	22	22	23	23
Municipal Court ⁽⁴⁾	14	15	17	21	21	17	19	-	-	-
Legal	13	13	14	16	16	13	13	13	13	14
Community Development ⁽⁶⁾	32	25	29	34	34	24	24	28	29	25
Police	117	118	121	152	152	131	118	122	125	126
Fire ⁽¹⁾	82	82	-	-	-	-	-	-	-	-
Public works	48	48	54	63	63	43	43	43	48	49
Parks, Arts and Recreation ⁽⁷⁾	36	36	38	40	40	35	36	36	36	45
Street	11	11	15	14	14	12	19	19	19	19
Water	16	16	19	20	20	22	22	22	22	24
Sewer	8	8	11	11	11	11	12	11	10	10
Storm Drainage	9	9	12	16	17	16	10	10	10	10
Solid Waste	2	2	2	2	2	2	2	2	2	2
Cemetery	6	6	7	7	7	7	7	7	5	5
Golf Course ⁽⁷⁾	6	6	9	9	9	8	8	8	8	-
Facilities ⁽²⁾	-	-	-	-	10	10	10	9	9	9
Multi-Media ⁽⁸⁾	-	-	-	-	-	-	-	-	-	4
Innovation & Technology	10	11	15	18	18	14	14	18	18	15
Equipment Rental	10	9	9	10	11	6	6	7	10	12
TOTAL	456	463	424	488	490	408	401	391	402	411

Source: City of Auburn Finance Department

- (1) No data is presented for Fire employees for 2007 and thereafter due to the incorporation of the 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 eliminated 82.5 of the total 490 positions in 2010.
- (4) In 2012, the City contracted out the Municipal Court to the King County District Court - resulting in a reduction of 19 positions.
- (5) In 2014 the Administration Department was created and consists of 8 FTE's who were reorganized from several existing departments such as the Mayors Department, Public Works and Community Development. This department includes Emergency Management, Public Affairs, Economic Development, Human Services, Veterans Services and Community Services.
- (6) In 2014 the Planning Department was renamed Community Development.
- (7) In 2014 the Golf Course fund was reclassified from an Enterprise Fund and included within the General Fund moving 8 of the Golf Course FTE's to the Parks, Arts and Recreation Department.
- (8) In 2014 the Multi-Media division was reorganized from the Innovation & Technology Fund into it's own Internal Service Fund. The 3.6 FTE's now report to the Director of Administration.



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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Planning										
Commercial permits	240	248	214	95	112	18	38	24	32	64
Commercial construction value (\$1,000's)	\$ 71,047	\$ 63,658	\$ 63,658	\$ 22,887	\$ 58,896	\$ 8,386	\$ 10,904	\$ 13,219	\$ 28,357	\$ 35,786
Residential permits	604	485	293	165	85	184	229	461	464	374
Residential construction value (\$1,000's)	\$ 112,125	\$ 61,872	\$ 61,872	\$ 27,048	\$ 15,739	\$ 36,602	\$ 43,574	\$ 98,212	\$ 96,248	\$ 83,007
Police										
Crimes:										
Arson	33	36	30	24	19	23	29	27	14	32
Aggravated Assault	168	158	143	154	163	137	148	110	145	156
Burglary	623	686	590	630	590	725	757	983	651	810
DUI	218	158	145	194	193	192	214	171	138	126
Homicide	1	-	1	-	3	3	2	6	5	1
Narcotics	472	493	368	439	440	442	396	383	279	458
Rape	13	24	12	14	13	15	23	23	26	31
Robbery	85	122	92	102	92	79	107	110	109	104
Theft	2,509	2,216	1,962	2,343	2,362	2,533	2,435	2,415	2,583	3,192
Theft - motor vehicle	869	642	672	639	370	569	600	588	678	630
Traffic:										
Non-criminal	6,850	4,978	6,865	6,794	7,788	7,182	5,400	4,922	5,378	6,520
Parking	2,140	3,965	4,802	3,740	4,026	4,648	3,383	1,946	2,052	5,238
Fire ⁽¹⁾										
Type of response:										
Building	94	98	-	-	-	-	-	-	-	-
Non-building	198	238	-	-	-	-	-	-	-	-
Alarm systems	474	524	-	-	-	-	-	-	-	-
Service	493	618	-	-	-	-	-	-	-	-
Other	870	979	-	-	-	-	-	-	-	-
First Aid	5,679	5,616	-	-	-	-	-	-	-	-
Parks and Recreation										
Athletic teams	445	459	479	416	428	439	429	388	382	358
Recreation activities	2,086	2,069	2,719	2,056	2,335	2,281	3,462	3,833	3,568	3,557
Golf course rounds	47,501	43,454	50,500	54,993	50,572	49,950	45,484	45,704	47,480	47,697
Senior center visits	35,308	35,381	34,427	36,805	41,032	41,350	41,802	40,704	36,991	40,715
Cultural activities	56	58	84	84	90	101	127	146	180	202
Museum audience served	9,340	9,400	12,090	11,921	11,835	12,570	14,119	15,397	14,163	13,968
Cemetery burials	277	277	245	289	232	228	273	259	226	250

Sources: Various city departments

(1) 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General City										
Total area (square miles)	23.3	23.4	23.4	30.0	30.1	30.1	30.2	30.2	30.2	30.2
Public Works										
Miles of streets	180	180	186	272	276	283	285	249	245	244
Number of streetlights	3,410	3,575	3,602	5,074	5,392	5,523	5,581	6,101	6,110	6,211
Number of traffic signals	72	72	72	83	85	86	89	93	94	94
Utilities										
Number of services	12,833	12,633	12,954	13,050	13,076	13,372	13,334	13,863	14,106	14,573
Miles of water lines	278	279	287	283	293	297	304	314	315	316
Miles of sanitary sewer lines	177	177	182	205	207	213	213	219	220	220
Miles of storm lines	190	195	197	197	204	226	247	252	263	282
Number of fire hydrants	2,285	2,300	2,369	2,969	2,998	3,044	3,277	3,308	3,329	3,559
Public Safety										
Number of fire stations ⁽¹⁾	3	3	-	-	-	-	-	-	-	-
Number of police stations	2	2	2	2	2	2	2	2	2	2
Parks and Recreation										
Total park acreage ⁽²⁾	596	596	596	598	602	602	602	630	635	972.03
Number of softball/baseball field:	19	19	19	19	18	18	18	17	17	18
Number of soccer/football fields	3	3	3	3	3	3	3	3	4	4
Number of playgrounds	29	30	30	32	33	35	35	35	36	28

Sources: Various city departments

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

(2) The increase in total park acreage since 2013 is due to property inventory update in anticipation of the Parks Recreation & Open Space Plan update and additional park categories are now being reported.

City of Auburn, Washington
SCHEDULE 22
NUMBER OF UTILITY CUSTOMERS BY CUSTOMER CLASS
 Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Customers by Class										
Single Family Residential	10,009	10,199	10,482	10,493	10,535	10,564	10,704	11,224	11,476	11,822
Multifamily	1040	915	957	961	985	991	991	989	986	1000
Commercial	1315	1,069	1086	1098	1083	1100	1095	1098	1094	1146
Mfr./Industrial	73	39	39	39	38	38	38	37	37	38
Schools	94	38	39	39	37	37	37	36	37	37
City Accounts	32	27	28	30	27	29	28	26	28	30
Irrigation	255	339	316	383	363	401	434	446	441	493
Total Retail Water Customers	12,818	12,626	12,947	13,043	13,068	13,160	13,327	13,856	14,099	14,566
Wholesale Water Customers	15	7	7	7	8	8	7	7	7	7
Sewer Customers by Class										
Single Family Residential (1)	N/A	N/A	N/A	10,698	10,711	10,918	11,183	11,522	11,982	12,631
Non-single Family Residential (1)	N/A	N/A	N/A	2,604	2,605	2,612	2,616	2,653	2,659	2,713
Total Sewer Customers	N/A	N/A	N/A	13,302	13,316	13,530	13,799	14,175	14,641	15,344
Storm Customers by Class										
Single Family Residential (2)	N/A	9,694	9,817	14,374	14,441	14,495	14,846	15,168	15,618	16,013
Non-single Family Residential (2)	N/A	1,562	1,595	1,623	1,650	1,769	1,653	1,661	1,640	1,670
Total Storm Customers	N/A	11,256	11,412	15,997	16,091	16,264	16,499	16,829	17,258	17,683

Sources: City of Auburn - Utility Billing

(1) The City's billing system was converted in 2005, data for Sewer Customers by Class prior to 2005 is not available

(2) The City's billing system was converted in 2005, data for Storm Customers by Class prior to 2006 is not available

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