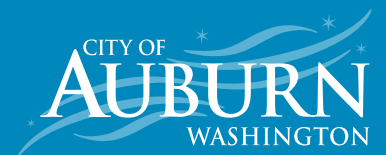




# 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

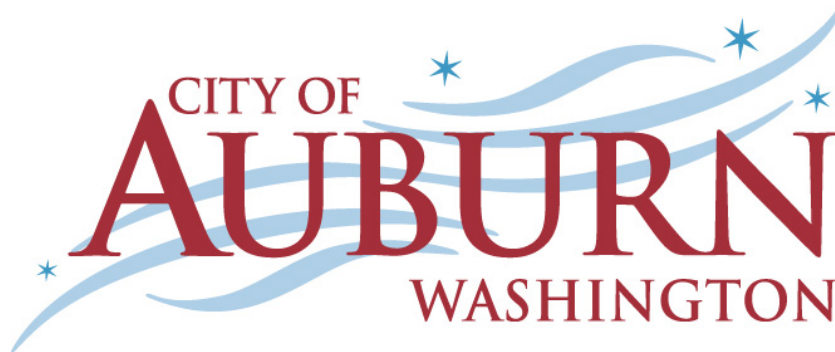




**CITY OF AUBURN  
WASHINGTON**

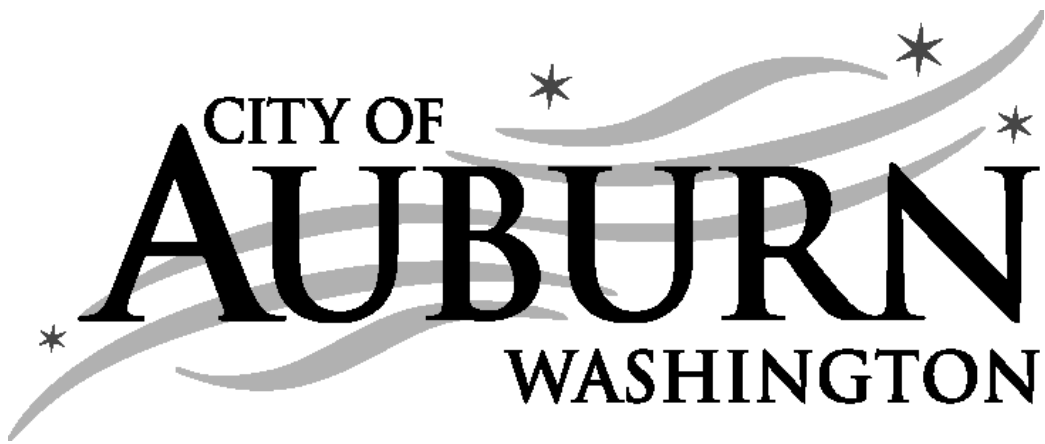
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

Fiscal Year January 1, 2017 through December 31, 2017



Prepared by

City of Auburn Finance Department  
Shelley Coleman, Finance Director



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Year Ended December 31, 2017

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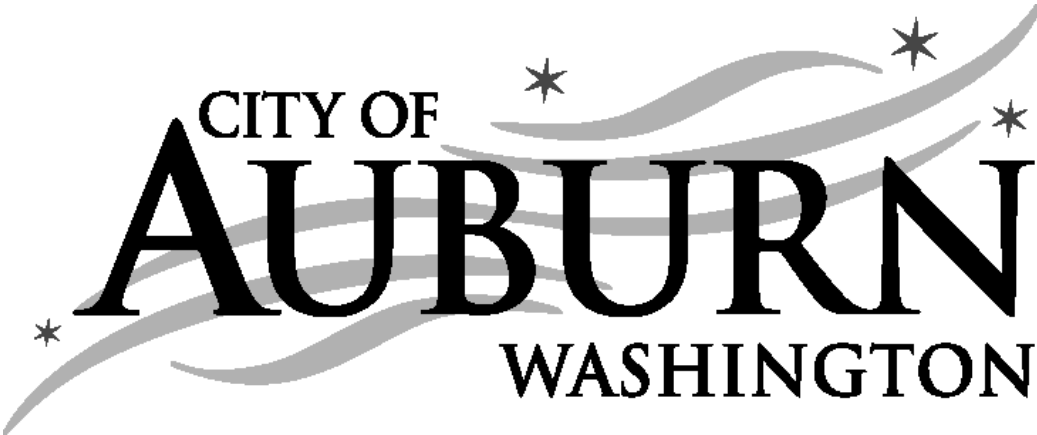
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CITY OFFICIALS

MAYOR  
Nancy Backus



Claude DaCorsi



John Holman



Bob Baggett



Bill Peloza



Yolanda Trout-Manuel



Larry Brown

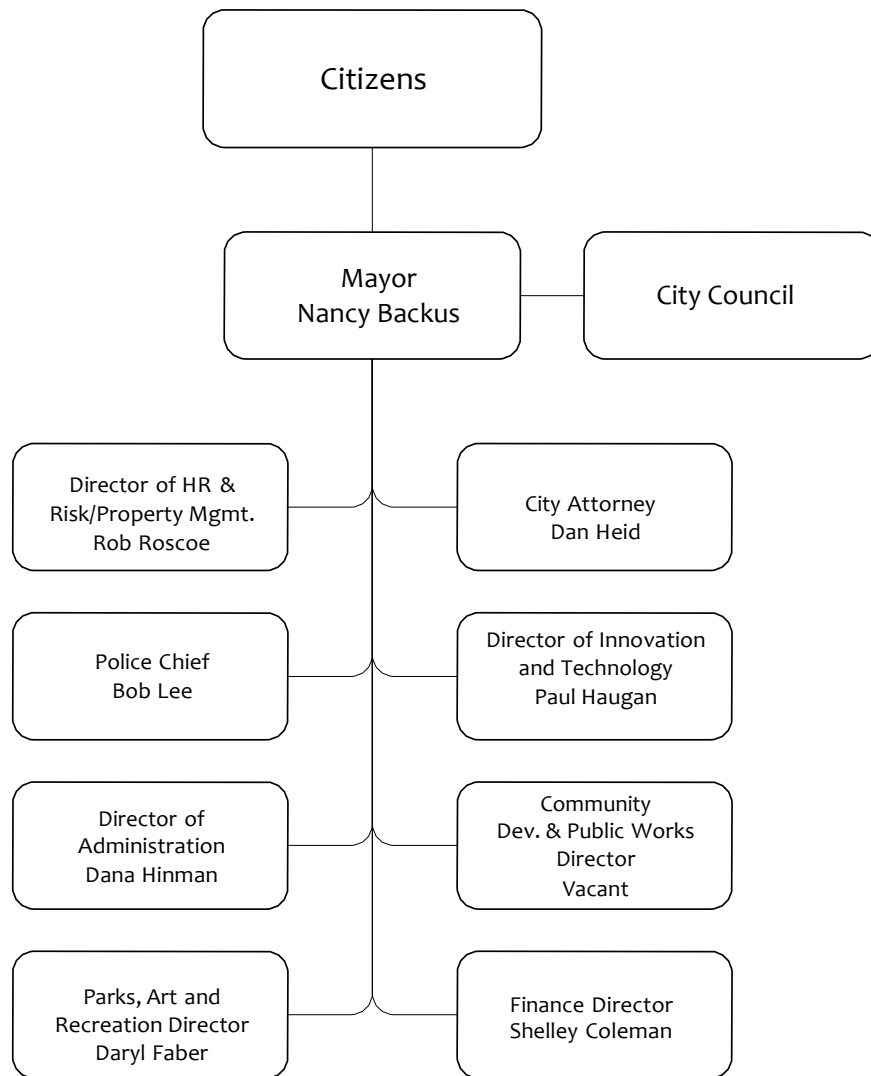


Largo Wales

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  
Paul Haugan  
Daryl Faber  
Vacant  
Bob Lee  
Dana Hinman



June 21, 2018

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, 2017. 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, 2017. 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.

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 2016 CAFR. The Financial Section contains the Washington State Auditor's Report, completed by the Washington State Auditor, Management's Discussion and Analysis, Government-Wide Financial Statements, the Fund Financial Statements, Notes to the Financial Statements and Other Required Combining and Supplemental Information. The Statistical Section, which is unaudited, contains a range of statistical tables and charts that present various financial, economic, social, and demographic data about the City. This information depicts various trends that have affected the fiscal condition of the City over the last ten years. The data presented in this section complies with the requirements of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

## **C. Reporting Entity**

The City of Auburn was incorporated in 1891 and currently operates as a non-charter Code City under the laws of the State of Washington. Code City status in Washington provides "home rule" authority to cities. Auburn has a Mayor/Council form of government; the Mayor is elected and is the full-time Chief Administrator. The seven-member City Council is elected at large, rather than by district. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the city. The City is located primarily in southern King County (county seat, Seattle) and a small northeastern portion of Pierce County. These are the two most populous counties in the State of Washington, comprising over 41% of the state-wide population. The City is strategically located in relation to the labor and consumer markets of the two largest cities in the area: Seattle in King County and Tacoma in Pierce County. Auburn currently serves approximately 78,960 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, community and teen center, golf course and museum; land use management and development regulation; infrastructure construction and maintenance; water, sanitary sewage collection, storm drainage, and solid waste services; a general aviation airport; and a municipal cemetery. The City is a member/owner of Valley Communications providing emergency 911 services and South Correctional Entity (SCORE) 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 founded 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 location. 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 approximately 6,000 people at its Auburn facility. Boeing is a worldwide supplier of aircraft and related products. As of year-end 2017, Auburn was providing 60,118 jobs with a unemployment rate of 4.1%, which is below both the national and state figures.

Auburn has enjoyed steady residential and industrial growth over the years as development has moved outward from the major cities. Auburn is currently home to about 4,000 businesses and is the center of the largest industrial complex in the Pacific Northwest. The City has a growing array of manufacturing facilities, as well as distribution, wholesale, and retail operations. Auburn's transit-oriented district is home to the MultiCare Auburn Medical Center, with a Trauma Level III emergency facility. This location serves the local geographic area, employs approximately 1,613 people, and is currently investing over 120 million dollars in expansion and upgrades.

The City's recent efforts to promote economic development and champion its designation as an Innovation Partnership Zone helps to solidify Auburn's economic standing in the region and spur new business and development activity. A number of commercial and service industry projects, currently in progress or in the planning stages, contribute to an economic picture of future growth.

Significant developments in the City include the issuance of 178 building permits for single family homes as well as about \$120 million in commercial construction, which includes projects such as the Promenade (298 unit mixed use development), The Reserve and Villas (597 unit mixed use development), The Estates at Hillside Garden (126 unit senior housing project), Multicare Emergency Room upgrades, Boeing job training center, three mini storage complexes, and several new commercial strip buildings and tenant improvements at the Outlet Collection. These projects have positive impacts on available revenue and, as they take hold, will serve to strengthen the City's economic future.

The City's total assessed property valuation has risen from \$6.5 billion in 2008 to \$10.6 billion in 2017. The recession, coupled with the impact of the Streamlined Sales Tax (SST) legislation enacted by the State of Washington that went into effect July 1, 2008, reduced general sales tax revenues from their high in 2007 of \$17.5 million to a low of \$11.8 million in 2009, then increasing slowly to \$17.7 million in 2017. The SST impact is estimated to have eliminated approximately \$200,000 per 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 has been receiving approximately \$1.9 million in mitigation payments each year since 2012. Mitigation payments are scheduled to end in the third quarter of 2019. This loss may ultimately be offset by Marketplace Fairness Act (internet sales tax) revenues. Sales tax revenue, net of criminal justice and annexation sales tax credits, increased \$731,000 (5%) from 2016. The portion allocated to the General Fund, \$15 million, constitutes about 23% of its revenue. Nonetheless, while the local economy is favorable, the City remains vigilant in its management of expenses to ensure it lives within its means.

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 maintains 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 along with a reserve fund for stabilization, 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 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 restoration 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 continues, 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 over 160 members) and the City actively pursues risk reduction in the operation of its programs.

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.

The City purchases, with employee participation, most of its health insurance for its employees through commercial policies administered by Brown and Brown. Employees represented by the outside Teamsters Union have insurance through the Teamsters organization and employees represented by the inside Teamsters Union have insurance policies administered by the Association of Washington Cities. 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.

**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 2017 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 2017. 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, 2016. This was the twenty-ninth 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 2017, the City has also received the Government Finance Officers Association Distinguished Budget Presentation award for its 2017-2018 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 2015.

**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, 2016**

*Christopher P. Morill*

Executive Director/CEO





**Office of the Washington State Auditor  
Pat McCarthy**

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

June 21, 2018

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, 2017, 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, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Arterial Street Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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***

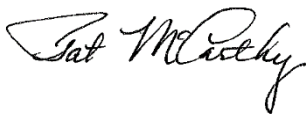
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund financial statements and schedules are presented for the purposes of additional 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 Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated June 21, 2018, 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 black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy  
State Auditor  
Olympia, WA



## 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 plus deferred inflows – equals \$695.2 million, an increase of \$19.0 million or 2.8%. Of this, a total of \$578.7 million, or 83.2% of total net position, represents net investment in capital assets and includes assets such as utility systems, streets, buildings, land, vehicles and equipment. An additional \$3.2 million of net position is restricted for purposes of endowment and debt service. Of the remaining \$113.3 million of net position, \$28.5 million is legally restricted, restricted by City policy for specific purposes, or is restricted for use by the City's utilities, and \$84.8 million is unrestricted.
- The net increase in government-wide net position during 2017 was \$19.0 million. Of this amount, \$16.0 million was directly related to the increase in City-owned net investment in capital assets, restricted net position increased by \$1.9 million, and unrestricted net position increased by \$1.1 million.
- Business-type net position increased by \$9.8 million to \$249.2 million during 2017 as a result of net capital investment and net earnings related to the City's water, sewer and storm water utilities.
- Governmental fund balances at year-end totaled \$69.1 million. Of this amount, \$25.4 million, or 36.8%, is unassigned and available to fund ongoing activities. Compared to 2016, total governmental fund balances increased by \$3.5 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 \$9.4 million. Total long-term liabilities, including bonds and loans, totaled \$119.5 million at December 31, 2017. The ending long-term liabilities is a decrease of \$9.2 million from 2016 and is largely attributable to the retirement of bond principal. See note 9 for further information on long-term liability activity during the year.

## Other City Highlights:

### Parks and Community Development

- Was awarded over \$600,000 in grant funds for the Museum and the Arts and Culture Center for programming and improvements.
- Increased marketing presence on social media as well as completed facility rental marketing brochures for the Auburn Community & Event Center and other facilities, leading to a large increase in rental revenues.
- Completed construction of new Memory Heights area of Mountain View Cemetery, adding over 500 new burial sites.
- Rebuilt the first green and surrounds at the Auburn Golf Course, increasing drainage and playability.
- Replaced the playground at Roegner Park.
- Completed Les Gove Park improvements along Auburn Way, adding irrigation and updating the pergola.
- Processed more than 2,800 permits and 900 business licenses, completed 6,050 building inspections, conducted 7,680 permit reviews, and participated in more than 50,000 interactions with customers.
- Launched electronic plan review capabilities that allow customers to submit electronically and that enable the customer and staff to transfer information electronically.
- Became the first jurisdiction in the State of Washington to allow final subdivisions to be approved administratively rather than legislatively.
- Managed 1,244 code enforcement cases and achieved resolution on 1,193 cases (95.9% success rate).

### Engineering Services

- Completed 25 capital projects totaling approximately \$31M that included: 30 lane miles of new pavement, 6,500 feet of new water mains, three new pressure reducing valve stations for water, two new water well pumps, 10,300 feet of new storm drainage piping, 5,700 feet of new sanitary sewer piping, six new/replaced traffic signal systems, and 20,000 feet of new/replaced sidewalks.
- Completed several water projects bringing the City's water sources back on line and reducing the need to purchase water from Tacoma, saving the water system approximately \$1M per year.
- Completed design of the 22<sup>nd</sup> and I Street NE roundabout and began construction.
- Completed the installation of two dynamic message signs on Auburn Way South and S 277<sup>th</sup> Street to provide drivers with information to improve driver behavior and traffic flow.
- Completed the reconstruction of B Street NW using full-depth pavement reclamation methods, saving approximately \$1M in costs.
- Completed the installation of a high friction surface treatment on Lake Tapps Parkway as a pilot project to address safety concerns.
- Completed the purchase of equipment and began implementation of scanner-generated field survey data.
- Completed the installation of a pedestrian actuated crosswalk at R St SE and 21<sup>st</sup> St SE, installation of radar speed feedback signs on 118<sup>th</sup> Ave SE, SE 316<sup>th</sup> Street, and 55<sup>th</sup> Ave S, and over 40 speed studies.
- Issued 49 right-of-way use permits, completed two franchise agreements, and completed seven street cleanup activities through the Adopt-A-Street Program.
- Completed the Airport obstruction survey/advanced ground information system (AGIS) survey.
- Completed 433 inspections on private storm systems and 303 inspections on public storm systems for compliance with our NPDES Phase 2 permit.



- Issued 380 construction permits for work in the public right-of-way, completed inspections related to 1,190 other development permits (building, plumbing, water, sewer, storm and backflow), managed 76 active public facility extension agreements with developers and 26 active grading permits.
- Refreshed all striping on public roads and continued to refresh thermoplastic pavement markings and legends as needed.

### **Maintenance & Operations Services**

- Completed rehabilitation in ten storm drainage ponds. This work returned the ponds to original design specifications thereby enhancing the function and longevity of these facilities.
- Engaged in regular preventative maintenance activities of the sewer system to include video inspection, high velocity cleaning, repair of collection system assets and operation of 24 sewer/storm pump stations.
- Completed a three year project of installing the Sensus Automated Metering Infrastructure (AMI) system. This project included replacing over 15,000 meters and installing four radio base stations throughout the city to collect meter reads.
- Completed ongoing citywide repairs or replacement of damaged and worn street signs identified through staff inspections.
- Equipment Rental replaced 32 new vehicles and equipment to replace aging units in the fleet, minimizing repair costs and maximizing vehicle up-time and utilization.

### **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 during the reporting year. The net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

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 Generally Accepted Accounting Principles (GAAP) for governmental entities. The City adopted the provisions of Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 82 – Pension Issues, an amendment of GASB Statement No. 67, No. 68, and No. 73. 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. 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 - one 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.

*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, maintenance and operation of facilities, computer hardware and software services, employee costs related to occupational injury or illness, and 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 one fiduciary fund: An agency fund, which is 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 pages 44 and 45, and the pension benefit and other postemployment benefit required supplementary information is found in the required supplemental information section.

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 2016 to 2017 show an increase in total net position of \$19.0 million or 2.8%. Following is a condensed version of the government-wide statement of net position with a comparison to 2016:

**STATEMENT OF NET POSITION  
Comparative Analysis of 2017 and 2016**

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/17	As of 12/31/16	As of 12/31/17	As of 12/31/16	As of 12/31/17	As of 12/31/16
Current and other assets	\$ 130,119,043	\$ 121,141,782	\$ 58,080,763	\$ 57,286,223	\$ 188,199,806	\$ 178,428,005
Capital assets, net of accumulated depreciation	404,922,880	400,377,892	237,873,905	231,598,816	642,796,785	631,976,708
Total assets	535,041,923	521,519,674	295,954,668	288,885,039	830,996,591	810,404,713
Deferred Outflows of Resources	2,241,938	4,034,077	928,489	1,359,639	3,170,427	5,393,716
Long-term liabilities	76,954,091	78,915,572	38,315,101	42,564,080	115,269,192	121,479,652
Other liabilities	10,713,381	9,533,214	8,478,481	8,130,257	19,191,862	17,663,471
Total liabilities	87,667,472	88,448,786	46,793,582	50,694,337	134,461,054	139,143,123
Deferred Inflows of Resources	3,589,485	329,987	927,497	152,168	4,516,982	482,155
Net position						
Net investment in capital assets	373,368,906	367,128,894	205,677,614	195,490,061	579,046,520	562,618,955
Restricted for:						
Capital Projects	27,407,299	24,332,465	-	800	27,407,299	24,333,265
Nonexpendable Permanent Endowment	1,717,134	1,666,043	-	-	1,717,134	1,666,043
Debt Service	9,686	11,945	1,437,567	2,694,103	1,447,253	2,706,048
Tourist Promotion	200,371	180,146	-	-	200,371	180,146
Drug Investigation & Enforce	381,136	451,507	-	-	381,136	451,507
Comm Dev Block Grant	44,904	44,904	-	-	44,904	44,904
Central Business Distr Dev	93,710	58,260	-	-	93,710	58,260
Rate Stabilization	-	-	419,403	415,511	419,403	415,511
Unrestricted	42,803,759	42,900,814	41,627,494	40,797,698	84,431,253	83,698,512
Total net position	\$ 446,026,905	\$ 436,774,978	\$ 249,162,078	\$ 239,398,173	\$ 695,188,983	\$ 676,173,151

The largest component of the City’s net position, \$579.0 million, or 83.2% is its net investment in capital assets. These capital assets, such as streets, parks, trails, and vehicles and equipment related to police and public works, are used to provide services to the citizens. As a result, these assets are not for sale, and are therefore not available to fund current and future City obligations. The City elected the GASB 34 reporting option to include all general infrastructure of the City acquired or substantially renovated since 1980.

The largest component of unrestricted net position, \$42.8 million, may be used for functions such as public safety employee salaries and supplies, parks and road maintenance, and other general governmental services. The second largest component of unrestricted net position, \$42.0 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 \$29.9 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 by \$16.4 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 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 11,790,334	\$ 12,338,041	\$ 68,220,200	\$ 65,733,943	\$ 80,010,534	\$ 78,071,984
Operating grants and contributions	2,257,646	2,767,931	106,286	106,286	2,363,932	2,874,217
Capital grants and contributions	13,229,502	13,275,208	4,363,568	10,574,852	17,593,070	23,850,061
General revenues						
Property taxes	20,967,953	18,102,286	-	-	20,967,953	18,102,286
Sales taxes	22,333,454	21,475,335	-	-	22,333,454	21,475,335
Interfund utility taxes	4,540,265	4,624,951	-	-	4,540,265	4,624,951
Admission & utility taxes	10,391,462	8,917,401	-	-	10,391,462	8,917,401
Excise taxes	4,141,146	5,057,013	-	-	4,141,146	5,057,013
Other taxes	5,253,964	5,160,215	-	-	5,253,964	5,160,215
Investment earnings	787,786	332,520	479,132	196,595	1,266,918	529,115
Miscellaneous revenue	204,306	157,874	444,110	1,085,275	648,416	1,243,148
Total revenues	95,897,818	92,208,775	73,613,296	77,696,951	169,511,114	169,905,726
<b>Expenses:</b>						
General government	10,384,647	9,557,602	-	-	10,384,647	9,557,602
Public safety	32,746,406	32,117,837	-	-	32,746,406	32,117,837
Transportation	17,904,352	16,602,993	-	-	17,904,352	16,602,993
Physical environment	3,217,885	3,266,375	-	-	3,217,885	3,266,375
Culture and recreation	13,539,098	12,811,186	-	-	13,539,098	12,811,186
Economic environment	3,859,863	3,224,984	-	-	3,859,863	3,224,984
Health and human services	674,270	573,115	-	-	674,270	573,115
Interest on long-term debt	1,555,803	1,709,647	-	-	1,555,803	1,709,647
Water	-	-	12,408,008	13,107,629	12,408,008	13,107,629
Sanitary sewer	-	-	25,360,718	25,685,370	25,360,718	25,685,370
Storm drainage	-	-	8,979,969	8,814,542	8,979,969	8,814,542
Solid waste	-	-	14,539,703	13,460,155	14,539,703	13,460,155
Other business-type activities	-	-	2,106,557	2,150,693	2,106,557	2,150,693
Total expenses	83,882,324	79,863,739	63,394,955	63,218,389	147,277,279	143,082,128
Increase in net position before transfers	12,015,495	12,345,036	10,218,341	14,478,562	22,233,836	26,823,598
Transfers	454,436	424,173	(454,436)	(424,173)	-	-
Change in net position	12,469,931	12,769,209	9,763,905	14,054,389	22,233,836	26,823,598
Net Position, January 1, as Previously Reported	436,774,978	421,493,212	239,398,173	225,343,784	676,173,151	646,836,996
Change in Accounting Principle	(3,218,004)	2,512,557	-	-	(3,218,004)	2,512,557
Net Position, January 1, as Restated	433,556,974	424,005,769	239,398,173	225,343,784	672,955,147	649,349,553
Net position, December 31	\$ 446,026,905	\$ 436,774,978	\$ 249,162,078	\$ 239,398,173	\$ 695,188,983	\$ 676,173,151

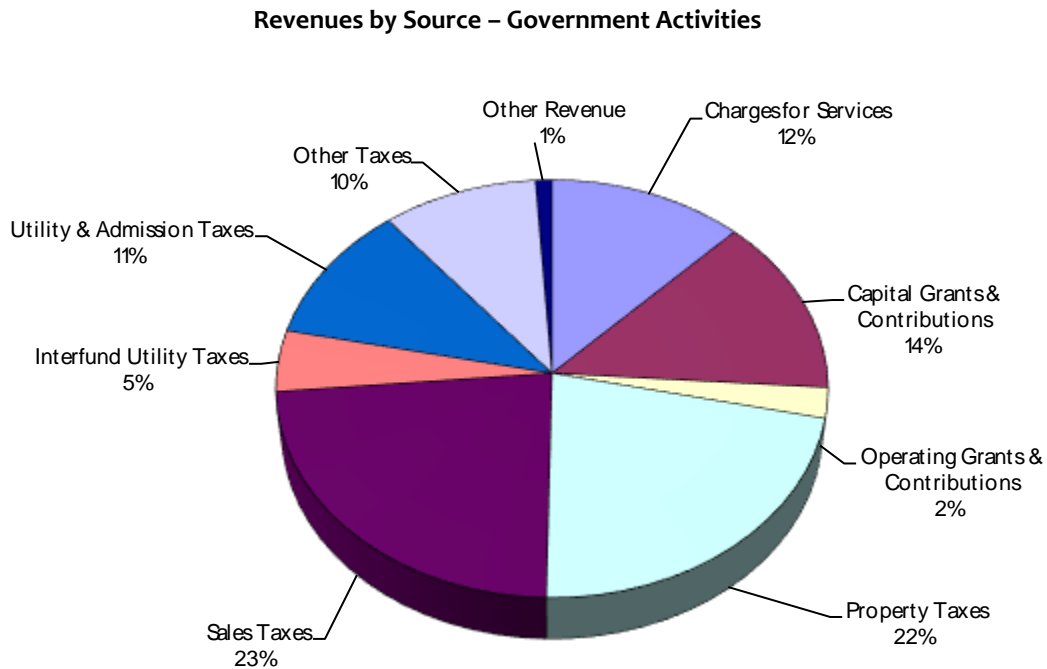
Governmental activities contributed \$12.5 million to the total increase in City net position. Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. However, asset purchases are not recorded as expenses in the year purchased and construction costs are not recorded as expenses in the year incurred. Instead, the costs are recorded as long-term assets and are depreciated over their useful lives.

General tax revenues increased by 6.8% to \$67.6 million between 2016 and 2017, compared to an increase of 3.3% between 2015 and 2016:

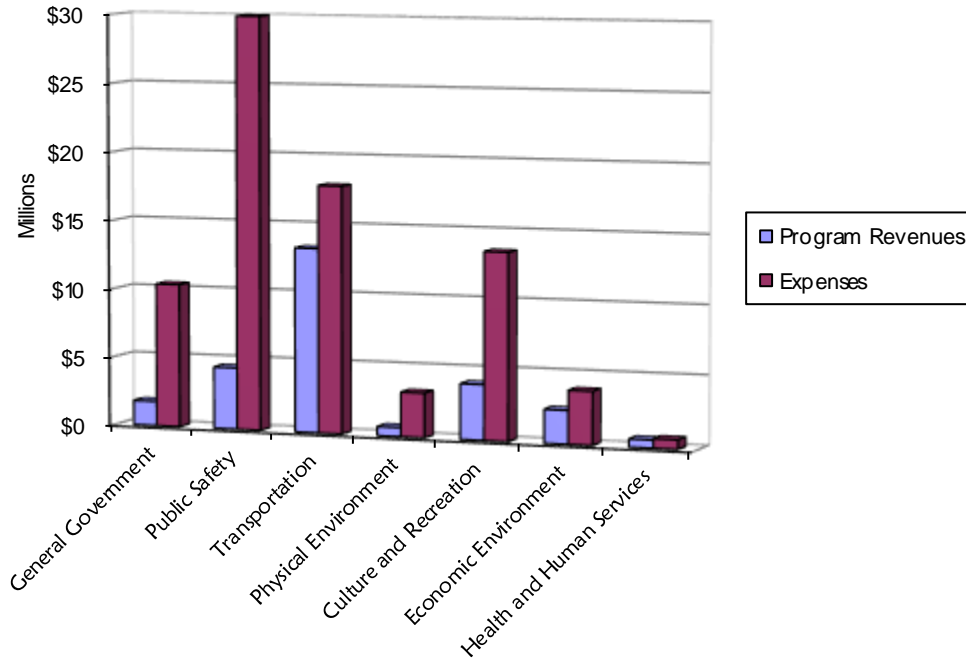
- Property tax revenue increased \$2.9 million or 15.8%.
- Sales tax collections increased \$0.9 million or 4.0%, reflecting improvement in the economy.
- Utility and admission tax revenue increased by \$1.4 million or 10.3%.
- Excise tax revenue decreased by \$0.9 million or 18.1%.
- Investment earnings increased by \$0.4 million in governmental activities and \$0.3 million in business-type activities for a government-wide increase of \$0.7 million. Government-wide miscellaneous revenue decreased by \$0.6 million to \$0.6 million.

Government-wide expenses increased by approximately \$4.2 million or 2.9% and were largely attributable to general increases in operating expenses such as salaries and wages.

The chart below summarizes the government activity revenue by source, while the chart on the next page 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.



**Program Expenses and Revenues – Governmental Activities**



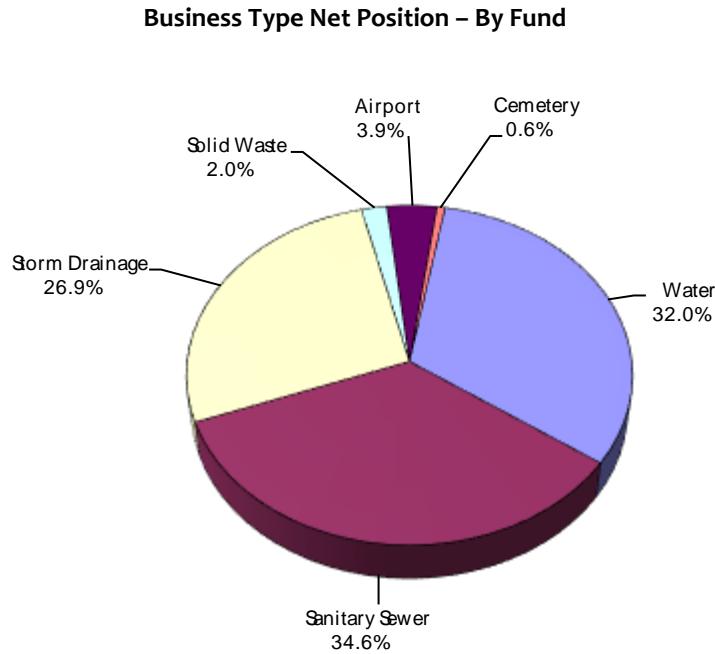
Business-type net position totaled \$249.2 million, an increase of 4.1%. Key components of this increase include:

- Business-type revenues decreased \$4.1 million to \$73.6 million due to a reduction in capital grants and contributions as well as miscellaneous revenues, which were partly offset by increases in charges for services and investment earnings.
- Income (loss) before capital contributions and transfers amounted to:

Water fund:	\$	2,747,130
Sanitary sewer fund:		623,178
Storm fund:		1,028,263
Solid waste fund:		677,037
Non-major funds:		<u>155,260</u>
	\$	5,230,868

- Net transfers totaled (\$454,436).

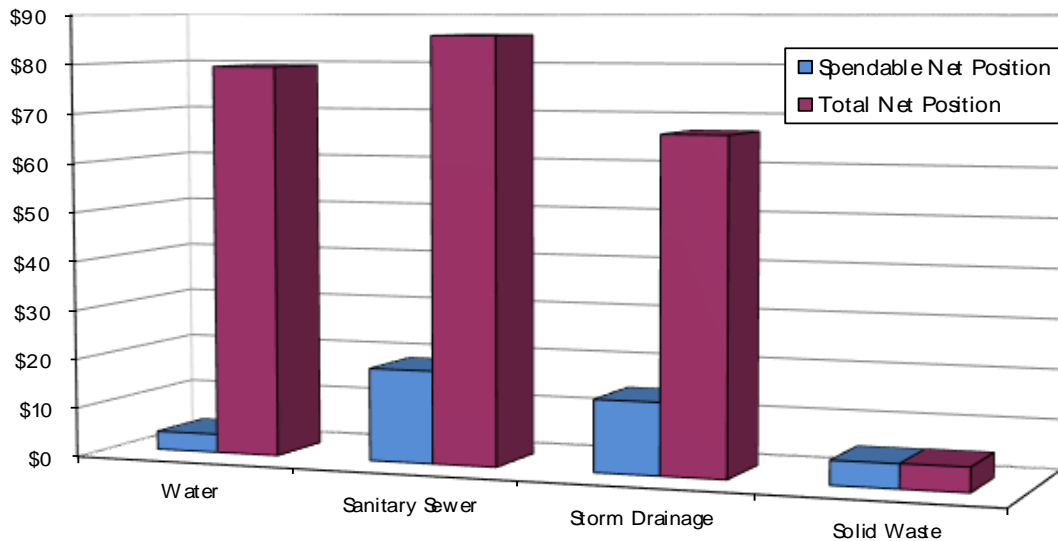
The following chart shows the relative net position balances for each business-type fund:



The majority of net position in the City’s enterprise funds relate to capital asset infrastructure, such as water and sewer mains and the airport runway. As such, most of the net position is not available to support the ongoing expenses of the funds.

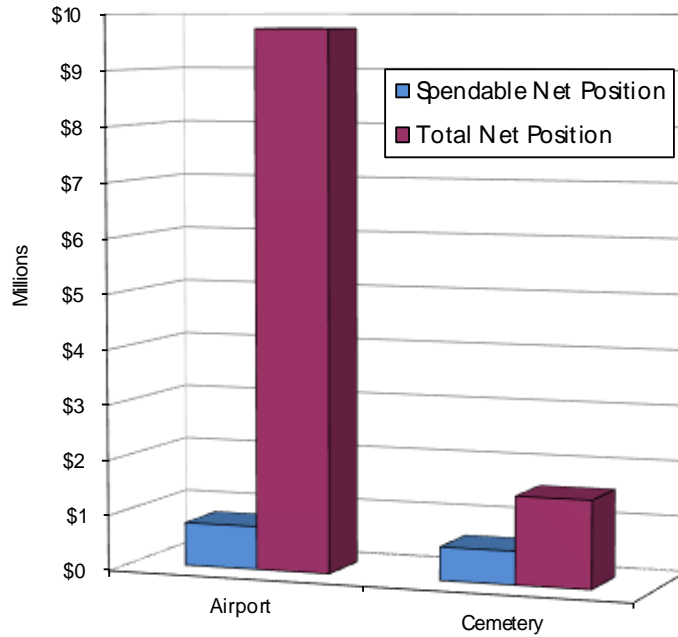
Following are two charts that contrast the total net position to the spendable portion of net position for each enterprise fund:

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



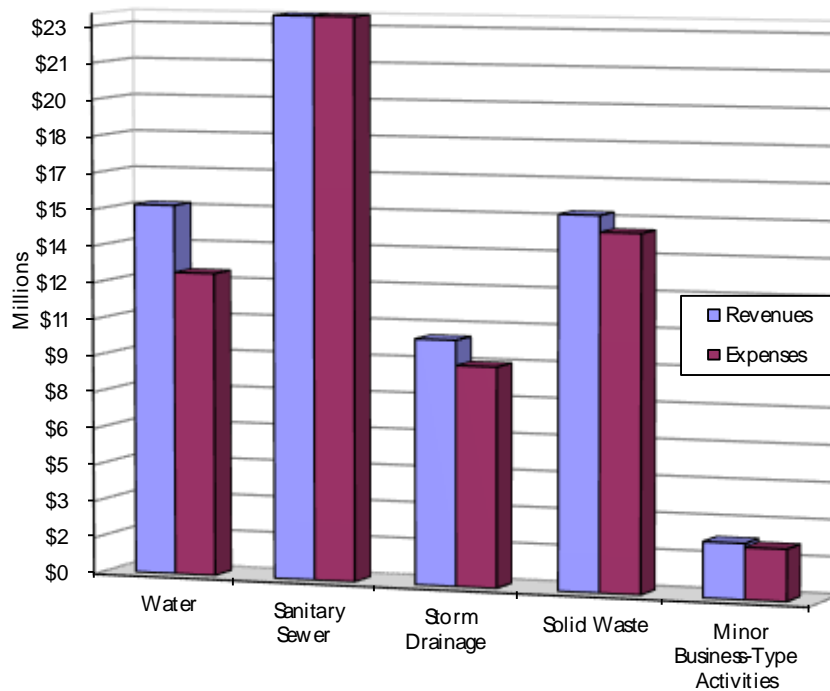


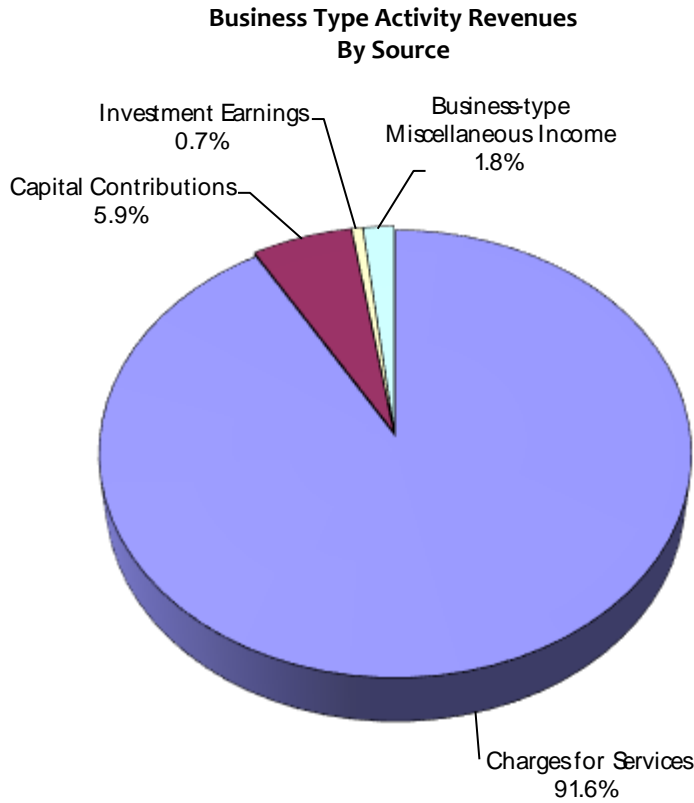
**Comparison of Total Net Position to Spendable Net Position  
Other Enterprise Funds**



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

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





### 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, 2017, the City’s governmental funds had combined fund balances of \$69.1 million, an increase of \$3.5 million or 5.4% over the previous year. This change is primarily due to increases in fund balances for the General fund and capital improvement fund net of a reduction in fund balance for the City’s Arterial Street and other governmental funds. The following table shows the changes in fund balance between 2016 and 2017.

#### Changes in Fund Balance - By Fund

Fund	2017	2016	Difference
General fund	\$ 34,760,782	\$ 32,151,179	\$ 2,609,603
Arterial street fund	2,584,136	2,655,913	(71,777)
Capital improvement fund	11,271,845	10,032,509	1,239,336
All other government funds	20,442,878	20,704,803	(261,925)
<b>Total</b>	<b>\$ 69,059,641</b>	<b>\$ 65,544,404</b>	<b>\$ 3,515,237</b>

Of the government funds’ total fund balances, \$25.4 million is unassigned. Nonspendable, restricted, committed and assigned fund balances total \$43.6 million. Of this \$43.6 million, \$13.9 million is earmarked for capital projects, \$18.7 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 2017, the general fund had a fund balance of \$34.8 million, \$9.3 million of which is assigned, and \$25.5 million is unassigned.

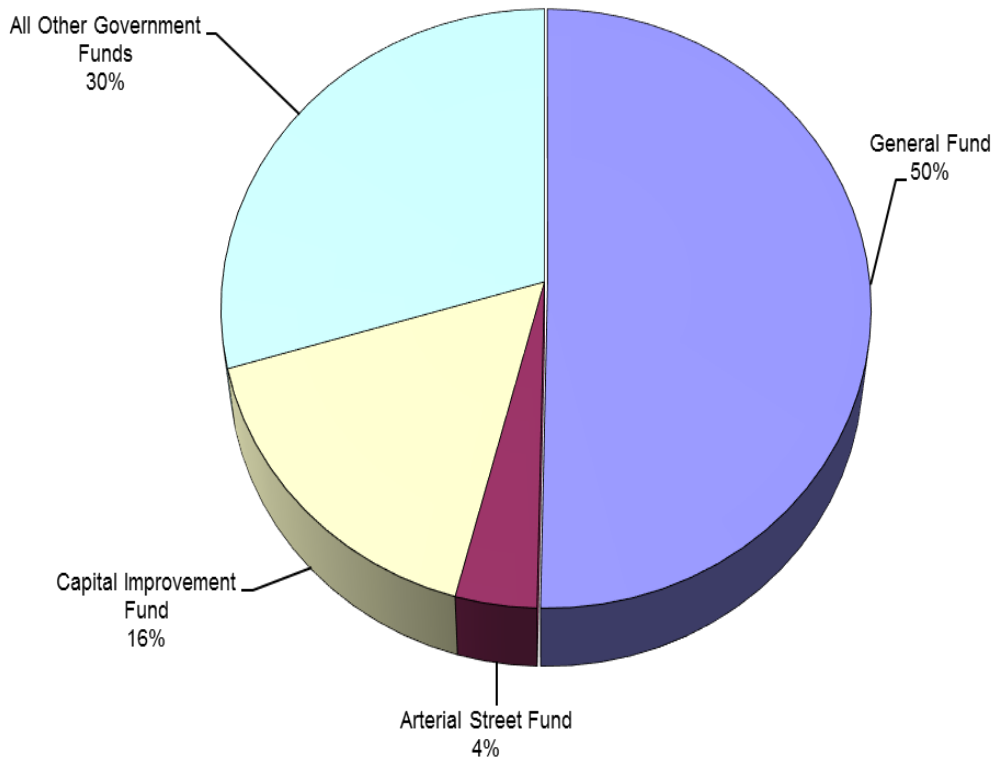
Other funds that had significant fund balances include:

- \$11.3 million in the capital improvement projects fund; used for various governmental capital asset projects.
- \$20.4 million in all other government funds; used primarily for local street improvements, local revitalization funding and maintenance of cemetery.

The general fund balance of \$34.8 million increased by \$2.6 million from the prior year. Revenues increased with the continued gradual improvement in the local and regional economic conditions. At the same time, expenses increased over 2016 due to inflation and programmatic changes. Meanwhile, the City continues its vigilance in monitoring general expenditure activity.

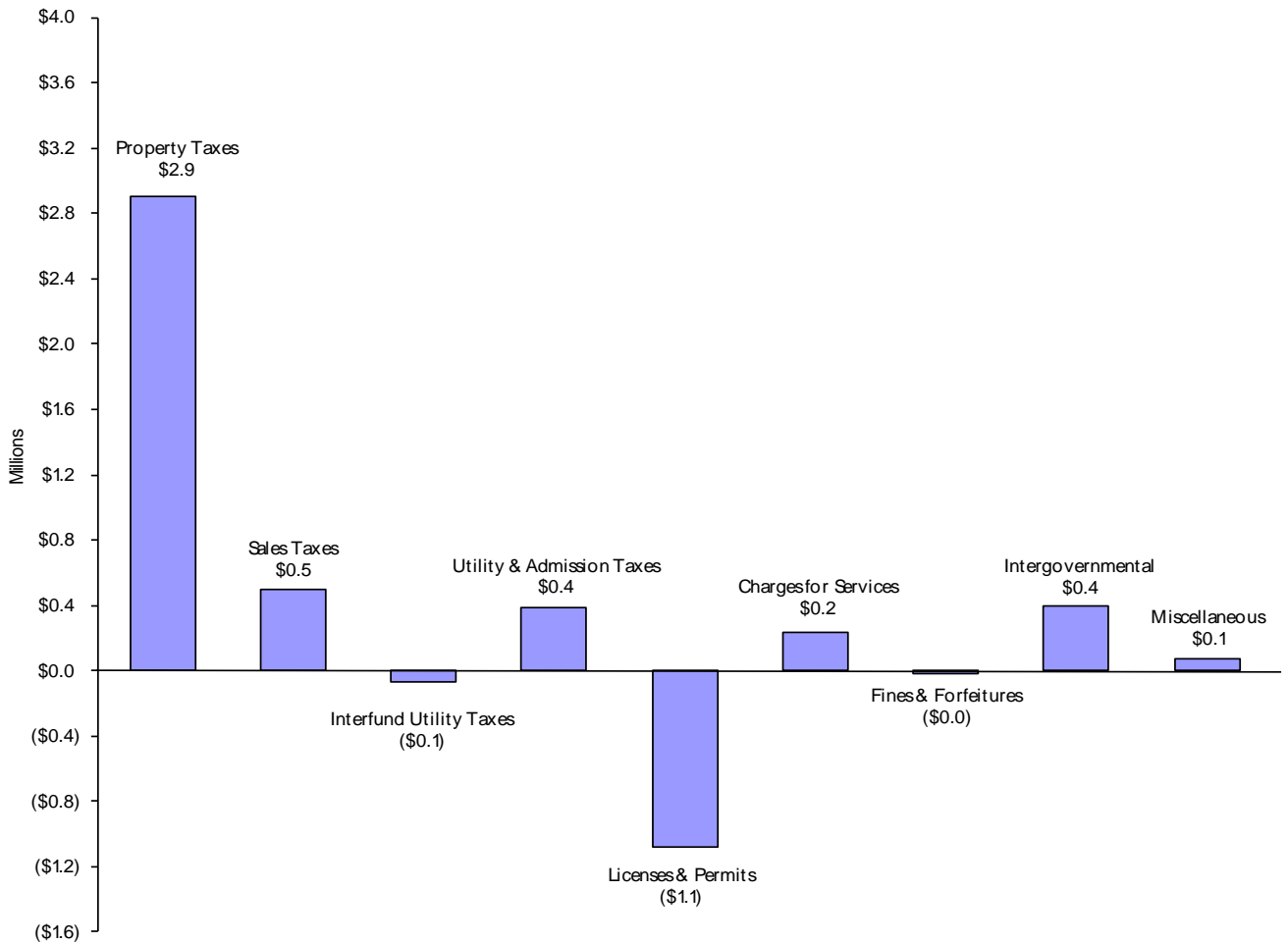
The following chart shows the relative fund balances for governmental funds:

**Governmental Funds – Fund Balances**



General fund revenue increased by \$3.3 million, sources of which are shown in the chart below. Property taxes increased by \$2.9 million and sales taxes increased \$0.5 million. Utility and other taxes increased by a net of \$0.3 million. Licenses and Permits decreased by \$1.1 million due primarily to reductions in building permit fees (\$0.8 million) and plumbing permits (\$0.2 million). Charges for Services increased by \$0.2 million, Fines & Forfeitures essentially remained unchanged, Intergovernmental Revenues increased by \$0.4 million and Miscellaneous Revenues increased by \$0.2 million.

**2017 General Fund Revenue Changes – 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 2017 budget included:

- Budgeted General Fund expenditures and transfers out increased from \$69.5 million to \$73.2 million. Significant changes include increased property tax revenues to reflect the use of banked capacity, funding of emergency repairs at the Auburn Municipal Airport, and transfers to the insurance and cumulative reserve fund.

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

- Actual General Fund revenues totaled \$68.6 million, exceeding budget by \$1.3 million. Significant areas of favorable variance include sales and property taxes, which exceeded budget by \$320,000 and \$186,000, respectively, as described above; rents and leases, which exceeded budget by \$164,000; electric and gas utility taxes, which exceeded budget by \$307,000; leasehold excise taxes, which exceeded budget by \$163,000; and investment income, which exceeded budget by \$169,000. Areas of unfavorable variance include building permits, which were \$383,000 below budget; brokered natural gas taxes, which were \$176,000 under budget; and development services fees, which were \$101,000 below budget.
- Actual General Fund expenditures totaled \$67.0 million and were under budget by \$6.2 million. Departments experienced savings due to continued vigilance in monitoring city-wide expenditures. Significant areas of under-expenditure include reduced personnel costs largely due to Police Department vacancies, and reduced professional services contracts and other miscellaneous expenses.

## 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, 2017 totaled \$642.8 million (net of accumulated depreciation), an increase of \$10.8 million from 2016. 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 \$2.5 million in utility infrastructure assets and \$2.4 million in governmental infrastructure assets.
- \$11.3 million was spent by proprietary funds on construction projects during the year.
- Purchases of government land resulted in an increase of \$0.1 million.
- \$18.5 million was spent by governmental funds on construction projects during the year. Some of the larger projects in the governmental funds include:
  - \$3.9 million on South 277th (Auburn Way North to Green River Bridge) project
  - \$2.6 million on Auburn Way South Corridor Improvements
  - \$2.0 million on B Street Northwest Reconstruction project
  - \$1.7 million on Auburn Way North Street Preservation project
  - \$1.3 million on West Main St. Multimodal Corridor and ITS Improvements

A summary of the City’s capital assets follows:

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

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/17	As of 12/31/2016	As of 12/31/17	As of 12/31/2016	As of 12/31/17	As of 12/31/2016
Land	\$ 108,890,255	\$ 108,793,702	\$ 12,526,187	\$ 12,526,187	\$ 121,416,442	\$ 121,319,889
Building	53,614,550	55,101,628	2,025,151	2,106,829	55,639,701	57,208,457
Site improvements	7,490,415	7,813,341	207,306,228	203,881,093	214,796,643	211,694,434
Equipment	8,652,792	8,436,499	293,545	265,028	8,946,337	8,701,527
Intangibles	37,967	192,530	5,449,186	5,196,600	5,487,153	5,389,130
Infrastructure	216,159,542	209,040,706	-	-	216,159,542	209,040,706
Construction in progress	10,077,359	10,999,486	10,273,608	7,623,079	20,350,967	18,622,565
	<u>\$ 404,922,880</u>	<u>\$ 400,377,892</u>	<u>\$ 237,873,905</u>	<u>\$ 231,598,816</u>	<u>\$ 642,796,785</u>	<u>\$ 631,976,708</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 \$77.7 million. Of this amount, \$22.9 million is due to other governments, \$27.8 million is general obligation bonds, and \$27.0 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	\$ 27,411,611	\$ 362,822	\$ 27,774,433
Revenue bonds	-	27,035,000	27,035,000
Due to other governments	\$ 22,918,300	-	22,918,300
	<u>\$ 50,329,911</u>	<u>\$ 27,397,822</u>	<u>\$ 77,727,733</u>

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

**Other Long-Term Debt**

Public Works Trust Fund loans	\$ 10,394,433
Capital Lease	\$ 382,914
	<u>\$ 10,777,347</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**

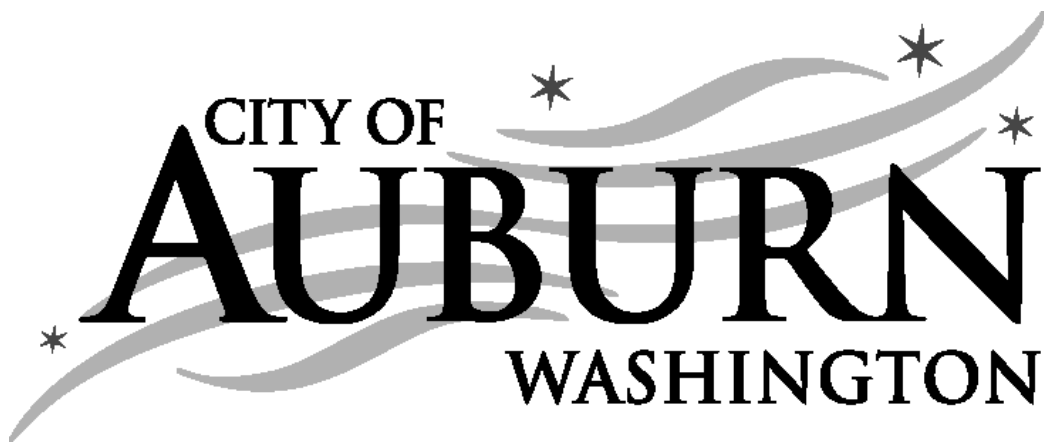
Over the past year, economic conditions continued to improve locally. Real property values, which had finally recovered to pre-recession levels by 2016, grew an additional 8.4% in 2017. Property tax receipts grew by 16.2% due in part to this increase in assessed valuation and in part to the used of banked taxing capacity. Retail sales continued to increase, by 2.7% over 2016 levels, and the rate of unemployment in the County and City remained low. However, building permit revenues decreased by over 24% reflecting reduced construction activity relative to 2016.

While general economic conditions in the region have improved, and the economic outlook for the City is generally positive, significant challenges to the City's overall financial condition remain. In particular, several areas at the Federal and State levels of government continue to cast a shadow. These negative factors include the ongoing disagreements within the United States Congress on finding a long-term solution to fund governmental services as well as – at the State level – long-term fiscal challenges for addressing holes left by one-time budget fixes in the current budget and the need to fund basic education mandates. Additionally, the State and City continue to grapple with the financial impacts of the phase-out of streamlined sales tax revenue distributions to cities and the uncertainty of sales tax receipts on out-of-state sales under the new Marketplace Fairness Act.

Therefore, although the City has seen significant private investments in the community, including development within several blocks in downtown that will serve as a catalyst for future redevelopment, the City remains cautious and continues to vigilantly monitor and control its expenses in order to live within the City's means.

### **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

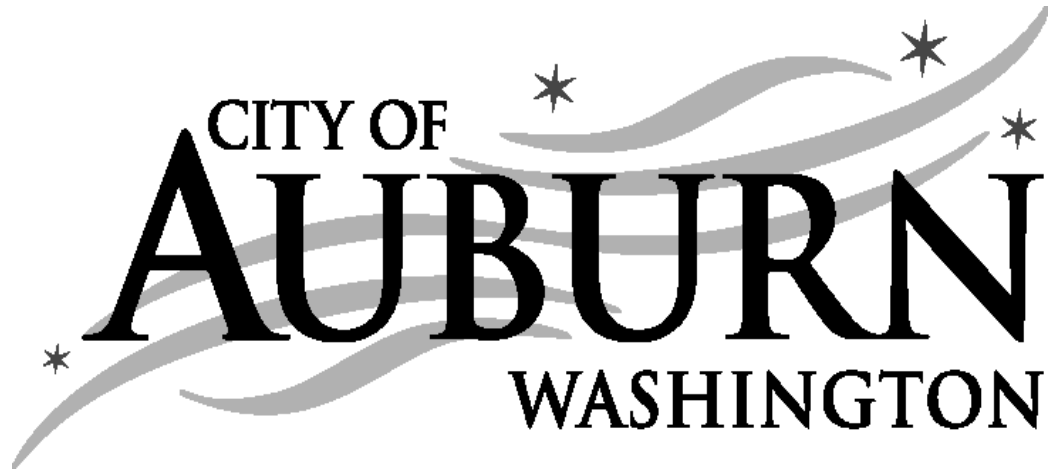
The City presents two government-wide financial statements.

### **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, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents (Note 3)	\$ 60,013,183	\$ 43,189,343	\$ 103,202,526
Cash with Outside Agencies	(391)	-	(391)
Investments (Note 3)	992,430	-	992,430
Receivables			
Taxes	306,809	-	306,809
Customer Accounts	486,179	6,884,100	7,370,279
Other Receivables	2,624,305	-	2,624,305
Special Assessments	7,283	-	7,283
Due From Other Governmental Units (Note 6)	2,775,623	171,616	2,947,239
Internal Balances	(440,475)	440,475	-
Materials and Supplies Inventory	272,670	160,443	433,113
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents (Note 3)	20,559,911	6,588,886	27,148,797
Due From Other Governmental Units (Note 6)	2,185,905	-	2,185,905
Permanently Restricted:			
Cash and Cash Equivalents (Note 3)	1,717,134	-	1,717,134
Prepays	546,773	-	546,773
Long-Term Contracts and Notes	13,473	645,900	659,373
Net Pension Asset (Note 10)	6,702,047	-	6,702,047
Investment in Joint Ventures (Note 15)	31,356,184	-	31,356,184
Depreciable Capital Assets (Net of Accumulated Depreciation) (Note 7)	285,955,266	209,624,924	495,580,190
Non-Depreciable Capital Assets (Note 7)	118,967,614	28,248,981	147,216,595
<b>Total Assets</b>	<b>535,041,923</b>	<b>295,954,668</b>	<b>830,996,591</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Outflows from Bond Refunding	5,588	21,837	27,425
Deferred Outflows related to Pensions	2,236,350	906,652	3,143,002
<b>Total Deferred Outflow of Resources</b>	<b>2,241,938</b>	<b>928,489</b>	<b>3,170,427</b>
<b>LIABILITIES:</b>			
Accounts Payable	5,607,399	3,673,088	9,280,487
Other Liabilities Payable	785,730	1,382	787,112
Payable From Restricted Assets:			
Accrued Interest	-	1,485,333	1,485,333
Deposits	-	215,194	215,194
Unearned Revenue	13,473	-	13,473
Bonds and Other Debt Payable:			
Due Within One Year (Note 9)	3,590,679	3,103,484	6,694,163
Due in More Than One Year (Note 9)	30,414,688	32,702,154	63,116,842
Due to Other Governmental Units:			
Due Within One Year (Note 9)	716,100	-	716,100
Due in More Than One Year (Note 9)	22,202,200	-	22,202,200
Net Pension Liability (Note 10)	11,986,783	5,612,947	17,599,730
Firemen's Pension Liability (Note 10)	3,212,435	-	3,212,435
Net OPEB Obligation (Note 11)	9,137,985	-	9,137,985
<b>Total Liabilities</b>	<b>87,667,472</b>	<b>46,793,582</b>	<b>134,461,054</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows related to Pensions	3,589,485	927,497	4,516,982
<b>Total Deferred Inflows of Resources</b>	<b>3,589,485</b>	<b>927,497</b>	<b>4,516,982</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	373,368,906	205,677,614	579,046,520
Restricted:			
Capital Projects	27,407,299	-	27,407,299
Nonexpendable Permanent Endowment	1,717,134	-	1,717,134
Debt Service	9,686	1,437,567	1,447,253
Tourist Promotion	200,371	-	200,371
Drug Investigation and Enforcement	381,136	-	381,136
Community Development Block Grant Program	44,904	-	44,904
Central Business District Development	93,710	-	93,710
Rate Stabilization	-	419,403	419,403
Unrestricted	42,803,759	41,627,494	84,431,253
<b>Total Net Position</b>	<b>\$ 446,026,905</b>	<b>\$ 249,162,078</b>	<b>\$ 695,188,983</b>

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, 2017

	Program Revenues			
	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
<b><u>FUNCTIONS / PROGRAMS:</u></b>				
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 10,384,647	\$ 1,241,905	\$ 163,698	\$ 366,582
Public Safety	32,746,406	2,523,667	1,936,498	13,227
Transportation	17,904,352	2,118,980	-	11,232,469
Physical Environment	3,217,885	431,580	5,125	220,987
Culture and Recreation	13,539,098	3,073,262	145,325	794,962
Economic Environment	3,859,863	2,400,940	2,000	23,005
Health and Human Resources	674,270	-	5,000	578,270
Interest on Long-Term Debt	1,555,803	-	-	-
	<u>83,882,324</u>	<u>11,790,334</u>	<u>2,257,646</u>	<u>13,229,502</u>
Business-Type Activities				
Water	12,408,008	14,781,310	-	1,176,756
Sanitary Sewer	25,360,718	26,369,496	-	873,779
Storm Drainage	8,979,969	9,778,102	-	2,313,033
Solid Waste	14,539,703	15,079,932	106,286	-
Nonmajor Business-Type Activities	2,106,557	2,211,360	-	-
	<u>63,394,955</u>	<u>68,220,200</u>	<u>106,286</u>	<u>4,363,568</u>
<b>Total Primary Government</b>	<b>\$ 147,277,279</b>	<b>\$ 80,010,534</b>	<b>\$ 2,363,932</b>	<b>\$ 17,593,070</b>

General Revenues:

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

Change in Net Position

Net Position, January 1

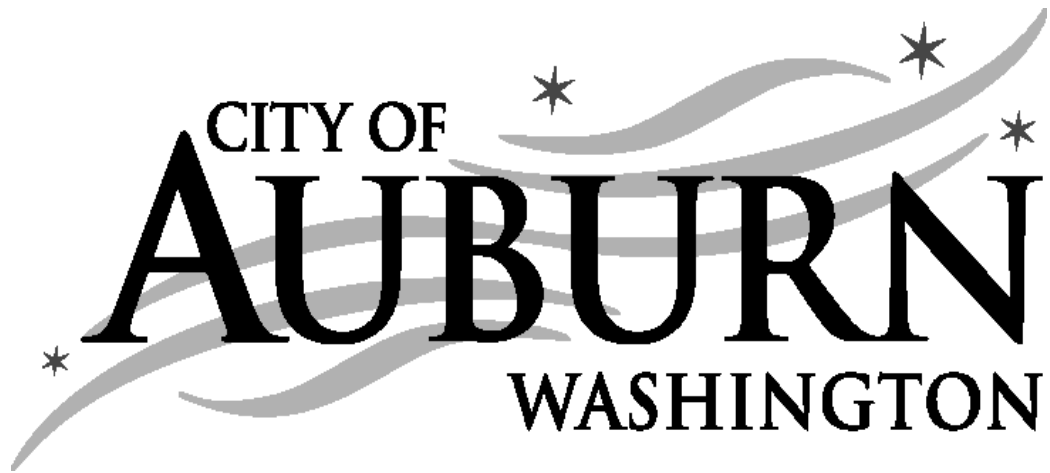
Change In Accounting Principle

Net Position, January 1 restated

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
\$ (8,612,462)	\$ -	\$ (8,612,462)
(28,273,013)	-	(28,273,013)
(4,552,903)	-	(4,552,903)
(2,560,193)	-	(2,560,193)
(9,525,549)	-	(9,525,549)
(1,433,918)	-	(1,433,918)
(91,000)	-	(91,000)
(1,555,803)	-	(1,555,803)
<u>(56,604,841)</u>	<u>-</u>	<u>(56,604,841)</u>
-	3,550,058	3,550,058
-	1,882,557	1,882,557
-	3,111,166	3,111,166
-	646,515	646,515
-	104,803	104,803
-	9,295,099	9,295,099
<u>\$ (56,604,841)</u>	<u>\$ 9,295,099</u>	<u>\$ (47,309,742)</u>
\$ 20,967,953	\$ -	\$ 20,967,953
22,333,454	-	22,333,454
4,540,265	-	4,540,265
10,391,462	-	10,391,462
4,141,146	-	4,141,146
5,253,964	-	5,253,964
787,786	479,132	1,266,918
134,003	444,110	578,113
19,212	-	19,212
51,091	-	51,091
454,436	(454,436)	-
<u>69,074,772</u>	<u>468,806</u>	<u>69,543,578</u>
12,469,931	9,763,905	22,233,836
<u>436,774,978</u>	<u>239,398,173</u>	<u>676,173,151</u>
(3,218,004)	-	(3,218,004)
<u>433,556,974</u>	<u>239,398,173</u>	<u>672,955,147</u>
<u>\$ 446,026,905</u>	<u>\$ 249,162,078</u>	<u>\$ 695,188,983</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, 2017

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 32,874,422	\$ 1,087,394	\$ 11,229,743	\$ 20,960,950	\$ 66,152,509
Investments (Note 3)	992,430	-	-	-	992,430
Deposits with Fiscal Agent	(391)	-	-	-	(391)
Receivables:					
Taxes	306,809	-	-	-	306,809
Customer Accounts	125,862	339,839	-	3,793	469,494
Other Receivables	2,274,352	-	-	345,829	2,620,181
Special Assessments	-	-	-	7,283	7,283
Interfund Receivable (Note 5)	50,000	-	93,782	-	143,782
Inventories	30,453	-	-	-	30,453
Long-Term Notes and Contracts	-	-	13,473	-	13,473
Due From Other Governmental Units (Note 6)	2,769,412	1,961,355	44,050	180,500	4,955,317
Total Assets	<u>39,423,349</u>	<u>3,388,588</u>	<u>11,381,048</u>	<u>21,498,355</u>	<u>75,691,340</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</b>					
Liabilities:					
Current Payables	2,974,017	804,452	95,730	961,240	4,835,439
Customer Deposits	427,872	-	-	-	427,872
Interfund Payable (Note 5)	-	-	-	50,000	50,000
Other Liabilities Payable	188,207	-	-	36,954	225,161
Unearned Revenue	-	-	13,473	-	13,473
Total Liabilities	<u>3,590,096</u>	<u>804,452</u>	<u>109,203</u>	<u>1,048,194</u>	<u>5,551,945</u>
Deferred Inflow of Resources:					
Unavailable Revenue-Special Assessments	-	-	-	7,283	7,283
Unavailable Revenue-Other	1,072,471	-	-	-	1,072,471
Total Deferred Inflow of Resources	<u>1,072,471</u>	<u>-</u>	<u>-</u>	<u>7,283</u>	<u>1,079,754</u>
Fund Balances: (Note 1)					
Nonspendable	30,453	-	-	-	30,453
Nonspendable Permanent Endowment	-	-	-	1,717,134	1,717,134
Restricted	-	2,584,136	10,794,522	14,758,448	28,137,106
Committed	-	-	-	3,223,108	3,223,108
Assigned	9,315,528	-	477,323	744,188	10,537,039
Unassigned	25,414,801	-	-	-	25,414,801
Total Fund Balances:	<u>34,760,782</u>	<u>2,584,136</u>	<u>11,271,845</u>	<u>20,442,878</u>	<u>69,059,641</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 39,423,349</u>	<u>\$ 3,388,588</u>	<u>\$ 11,381,048</u>	<u>\$ 21,498,355</u>	<u>\$ 75,691,340</u>

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, 2017

Total governmental fund balances as reported on this statement		\$ 69,059,641
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.		396,609,025
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	8,437,884	
Prepays	546,773	
Interest receivable on investments	4,124	
Net pension asset	<u>3,489,612</u>	
		12,478,393
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	1,072,471	
Unavailable revenue reported for special assessments	<u>7,283</u>	
		1,079,754
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.		21,111,117
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and loans payable	(31,376,165)	
Premium on Bonds Payable	(73,929)	
Deferred amount on bond refunding	5,588	
Deferred amounts related to pensions	(1,326,570)	
Interest payable	(132,397)	
Net pension liability	(10,096,427)	
Net other postemployment obligations	(9,137,985)	
Compensated absences payable	<u>(2,173,140)</u>	
		(54,311,024)
Net position of government activities as reported on the statement of net position		<u>\$ 446,026,905</u>

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

City of Auburn, Washington  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2017

	General Fund	Arterial Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property	\$ 20,837,874	\$ -	\$ -	\$ 138,510	\$ 20,976,384
Retail Sales & Use	19,441,488	-	-	2,891,966	22,333,454
Interfund Utility	3,891,656	-	-	648,609	4,540,265
Utility	8,932,920	-	-	1,458,542	10,391,462
Excise	519,630	-	3,497,030	124,486	4,141,146
Other	-	-	-	42,535	42,535
Licenses and Permits	1,906,796	-	-	-	1,906,796
Intergovernmental	6,322,043	7,043,677	30,847	2,790,993	16,187,560
Charges for Services	4,416,518	-	-	2,701,256	7,117,774
Fines and Forfeitures	882,254	-	-	-	882,254
Special Assessments	-	-	-	3,835	3,835
Investment Earnings	349,018	11,173	102,542	209,980	672,713
Miscellaneous	1,096,866	709,222	6,259	153,986	1,966,333
Total Revenues	<u>68,597,063</u>	<u>7,764,072</u>	<u>3,636,678</u>	<u>11,164,698</u>	<u>91,162,511</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	9,755,757	-	-	-	9,755,757
Security of Persons and Property	31,464,290	-	-	620,086	32,084,376
Physical Environment	3,359,548	-	-	-	3,359,548
Transportation	3,679,967	9,618,924	-	7,353,647	20,652,538
Economic Environment	3,117,886	-	-	762,139	3,880,025
Health and Human Services	674,270	-	-	-	674,270
Culture and Recreation	11,943,070	-	-	-	11,943,070
Debt Service:					
Principal	57,642	197,376	-	1,380,108	1,635,126
Interest and Other Costs	20,526	12,135	-	1,557,864	1,590,525
Capital Outlay	29,905	-	849,072	1,217,304	2,096,281
Total Expenditures	<u>64,102,861</u>	<u>9,828,435</u>	<u>849,072</u>	<u>12,891,148</u>	<u>87,671,516</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>4,494,202</u>	<u>(2,064,363)</u>	<u>2,787,606</u>	<u>(1,726,450)</u>	<u>3,490,995</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of Capital Assets	2,700	-	-	-	2,700
Insurance Recoveries	134,003	-	-	-	134,003
Transfers In (Note 5)	1,079,000	1,999,610	475,583	3,496,624	7,050,817
Transfers Out (Note 5)	(3,100,302)	(7,024)	(2,023,853)	(2,032,099)	(7,163,278)
Total Other Financing Sources and Uses	<u>(1,884,599)</u>	<u>1,992,586</u>	<u>(1,548,270)</u>	<u>1,464,525</u>	<u>24,242</u>
Net Change in Fund Balances	<u>2,609,603</u>	<u>(71,777)</u>	<u>1,239,336</u>	<u>(261,925)</u>	<u>3,515,237</u>
Fund Balances - January 1, as Previously Reported	<u>32,151,179</u>	<u>2,655,913</u>	<u>10,032,509</u>	<u>20,704,803</u>	<u>65,544,404</u>
Fund Balances - Ending	<u>\$ 34,760,782</u>	<u>\$ 2,584,136</u>	<u>\$ 11,271,845</u>	<u>\$ 20,442,878</u>	<u>\$ 69,059,641</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, 2017

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 3,515,237
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 (\$18,432,909) exceeded depreciation (\$16,509,513) in the current period.		1,923,396
Certain Capital and Joint Venture activities do not use or provide current financial resources but increase net position.		817,723
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	(8,431)	
Special assessments	(4,114)	
Other unavailable revenue	(90,700)	
Amortization of bond premium	29,141	
Investment interest receivable	<u>(8,837)</u>	
		(82,940)
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.		2,451,623
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net position.		1,628,867
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.		1,829,168
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	(109,355)	
Change in accrued interest payable	4,595	
Change in net pension obligation or asset	1,383,217	
Change in net other postemployment benefits	(690,154)	
Change in compensated absences payable	<u>(201,446)</u>	
		386,857
Change in net position on the Statement of Activities		<u>\$ 12,469,931</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 20,152,000	\$ 20,652,000	\$ 20,837,874	\$ 185,874
Retail Sales & Use	19,094,300	19,094,300	19,441,488	347,188
Interfund Utility	3,671,300	3,936,300	3,891,656	(44,644)
Utility	8,487,700	8,487,700	8,932,920	445,220
Excise	340,300	340,300	519,630	179,330
Licenses and Permits	2,338,700	2,338,700	1,906,796	(431,904)
Intergovernmental	5,919,680	6,129,110	6,243,965	114,855
Charges for Services	3,981,980	4,361,980	4,416,518	54,538
Fines and Forfeitures	876,100	876,100	882,254	6,154
Investment Earnings	69,000	69,000	237,532	168,532
Miscellaneous	879,500	884,500	1,096,866	212,366
Total Revenues	<u>65,810,560</u>	<u>67,169,990</u>	<u>68,407,499</u>	<u>1,237,509</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	11,182,750	11,285,933	9,755,757	1,530,176
Security of Persons and Property	32,577,455	33,668,898	31,269,319	2,399,579
Physical Environment	4,053,466	4,073,266	3,359,548	713,718
Transportation	3,760,044	3,817,220	3,679,967	137,253
Economic Environment	3,428,643	3,764,529	3,117,886	646,643
Health and Human Services	639,742	733,542	674,270	59,272
Culture and Recreation	12,083,188	12,152,688	11,943,070	209,618
Debt Service	77,699	77,699	78,168	(469)
Capital Outlay	324,519	30,000	29,905	95
Total Expenditures	<u>68,127,506</u>	<u>69,603,775</u>	<u>63,907,890</u>	<u>5,695,885</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,316,946)</u>	<u>(2,433,785)</u>	<u>4,499,609</u>	<u>6,933,394</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sales of Capital Assets	-	-	2,700	2,700
Insurance Recoveries	25,000	25,000	134,003	109,003
Transfers In (Note 5)	84,000	79,000	79,000	-
Transfers Out (Note 5)	(1,360,476)	(3,578,551)	(3,100,302)	478,249
Total Other Financing Sources and Uses	<u>(1,251,476)</u>	<u>(3,474,551)</u>	<u>(2,884,599)</u>	<u>589,952</u>
Net Change in Fund Balances	<u>(3,568,422)</u>	<u>(5,908,336)</u>	<u>1,615,010</u>	<u>7,523,346</u>
Fund Balances - Beginning	16,191,731	21,028,666	21,028,666	-
Fund Balances - Ending	<u>\$ 12,623,309</u>	<u>\$ 15,120,330</u>	<u>\$ 22,643,676</u>	<u>\$ 7,523,346</u>

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

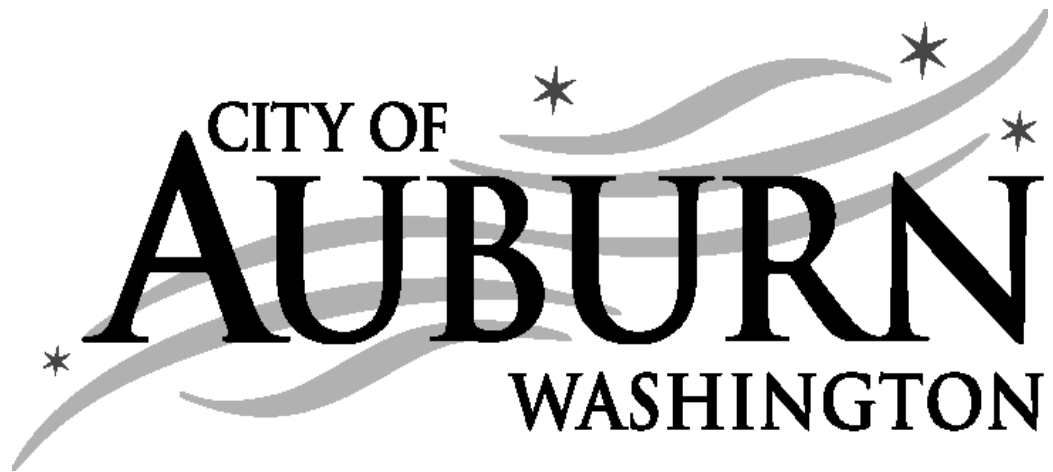
The Cumulative Reserve Fund is combined with the General Fund for purposes of GASB Statement 54	9,799,312
The Fire, Relief & Pension Fund is combined with the General Fund for purposes of GASB Statement 73	2,317,794
Fund Balance - Ending (GAAP)	<u>\$ 34,760,782</u>

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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Intergovernmental	\$1,717,965	\$10,632,292	\$7,043,677	(\$3,588,615)
Charges for Services	-	466,191	-	(466,191)
Investment Earnings	2,600	2,600	11,173	8,573
Miscellaneous	100,000	809,221	709,222	(99,999)
Total Revenues	<u>1,820,565</u>	<u>11,910,304</u>	<u>7,764,072</u>	<u>(4,146,232)</u>
<b>EXPENDITURES:</b>				
Current:				
Transportation	2,580,646	16,304,793	9,618,924	6,685,869
Debt Service				
Principal	197,376	197,376	197,376	-
Interest and Other Costs	12,135	12,135	12,135	-
Total Expenditures	<u>2,790,157</u>	<u>16,514,304</u>	<u>9,828,435</u>	<u>6,685,869</u>
<b>Excess (Deficiency) of Revenues Over (Under Expenditures)</b>	<u>(969,592)</u>	<u>(4,604,000)</u>	<u>(2,064,363)</u>	<u>2,539,637</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	718,511	3,420,622	1,999,610	(1,421,012)
Transfers Out (Note 5)	(4,661)	(15,046)	(7,024)	8,022
Total Other Financing Sources and Uses	<u>713,850</u>	<u>3,405,576</u>	<u>1,992,586</u>	<u>(1,412,990)</u>
Net Change in Fund Balances	<u>(255,742)</u>	<u>(1,198,424)</u>	<u>(71,777)</u>	<u>1,126,647</u>
Fund Balances - Beginning	1,632,556	2,655,913	2,655,913	-
Fund Balances - Ending	<u>\$ 1,376,814</u>	<u>\$ 1,457,489</u>	<u>\$ 2,584,136</u>	<u>\$ 1,126,647</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 four 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.

**City of Auburn, Washington**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
 December 31, 2017

	Enterprise Funds					Governmental Activities	
	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS:</b>							
Current Assets							
Cash and Cash Equivalents	\$ 5,765,412	\$ 16,427,725	\$ 14,545,114	\$ 4,677,646	\$ 1,773,446	\$ 43,189,343	\$ 16,137,719
Restricted Cash:							
Bond Payments	1,690,316	535,820	804,480	-	-	3,030,616	-
Customer Deposits	43,892	79,473	3,422	-	89,180	215,967	-
Other	1,630,313	516,173	1,195,817	-	-	3,342,303	-
Customer Accounts	1,363,945	2,745,457	1,066,124	1,701,592	6,982	6,884,100	16,685
Due From Other Governmental Units	17,968	-	70,124	69,534	13,990	171,616	6,211
Inventories	135,450	9,103	7,390	-	8,500	160,443	242,217
Total Current Assets	<u>10,647,296</u>	<u>20,313,751</u>	<u>17,692,471</u>	<u>6,448,772</u>	<u>1,892,098</u>	<u>56,994,388</u>	<u>16,402,832</u>
Noncurrent Assets							
Long-Term Contracts and Notes	-	645,900	-	-	-	645,900	-
Capital Assets:							
Land	897,971	1,695,023	5,937,014	-	3,996,179	12,526,187	-
Intangible - Water Rights	5,449,186	-	-	-	-	5,449,186	-
Buildings and Equipment	2,509,599	1,255,947	290,575	496,618	4,064,521	8,617,260	25,051,494
Improvements Other Than Buildings	131,463,582	101,366,336	79,177,949	-	11,082,929	323,090,796	117,158
Construction in Progress	8,374,328	1,121,482	459,310	-	318,488	10,273,608	109,048
Less: Accumulated Depreciation	(54,538,817)	(31,609,927)	(26,325,396)	(449,569)	(9,159,423)	(122,083,132)	(16,963,844)
Total Capital Assets (Net of A/D)	<u>94,155,849</u>	<u>73,828,861</u>	<u>59,539,452</u>	<u>47,049</u>	<u>10,302,694</u>	<u>237,873,905</u>	<u>8,313,856</u>
Total Noncurrent Assets	<u>94,155,849</u>	<u>74,474,761</u>	<u>59,539,452</u>	<u>47,049</u>	<u>10,302,694</u>	<u>238,519,805</u>	<u>8,313,856</u>
Total Assets	<u>104,803,145</u>	<u>94,788,512</u>	<u>77,231,923</u>	<u>6,495,821</u>	<u>12,194,792</u>	<u>295,514,193</u>	<u>24,716,688</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>							
Deferred Outflow from Bond Refunding	-	-	-	-	21,837	21,837	-
Deferred Outflow related to Pensions	312,206	200,138	292,611	51,059	50,638	906,652	310,456
	<u>312,206</u>	<u>200,138</u>	<u>292,611</u>	<u>51,059</u>	<u>72,475</u>	<u>928,489</u>	<u>310,456</u>
<b>LIABILITIES:</b>							
Current Liabilities:							
Current Payables	1,354,856	393,163	391,180	1,364,777	169,112	3,673,088	771,960
Customer Deposits	-	-	-	-	-	-	300
Interfund Payables (Note 5)	-	-	-	-	93,782	93,782	-
Loans Payable - Current	634,328	288,262	-	-	-	922,590	-
Employee Leave Benefits - Current	125,285	103,747	173,857	23,140	18,464	444,493	209,418
Revenue Bonds Payable - Current	871,737	262,685	425,578	-	-	1,560,000	-
General Obligation Bonds Payable - Current	-	-	-	-	176,401	176,401	-
Accrued Interest	828,486	279,081	377,766	-	-	1,485,333	-
Deposits	43,892	79,473	3,422	-	88,407	215,194	-
Other Liabilities Payable	600	172	469	141	-	1,382	41,608
Total Current Liabilities	<u>3,859,184</u>	<u>1,406,583</u>	<u>1,372,272</u>	<u>1,388,058</u>	<u>546,166</u>	<u>8,572,263</u>	<u>1,023,286</u>
Noncurrent Liabilities							
Employee Leave Benefits	37,836	31,332	52,506	6,988	5,576	134,238	63,246
Other LT Liabilities Payable	-	-	-	-	-	-	67,861
Loans Payable	3,689,390	2,090,408	-	-	-	5,779,798	-
Revenue Bonds Payable	14,899,559	4,206,276	7,495,862	-	-	26,601,697	-
General Obligation Bonds Payable	-	-	-	-	186,421	186,421	-
Net Pension Liability	2,775,633	1,130,142	1,339,843	195,660	171,669	5,612,947	1,890,356
Total Noncurrent Liabilities	<u>21,402,418</u>	<u>7,458,158</u>	<u>8,888,211</u>	<u>202,648</u>	<u>363,666</u>	<u>38,315,101</u>	<u>2,021,463</u>
Total Liabilities	<u>25,261,602</u>	<u>8,864,741</u>	<u>10,260,483</u>	<u>1,590,706</u>	<u>909,832</u>	<u>46,887,364</u>	<u>3,044,749</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>							
Deferred Inflow related to Pensions	372,104	198,614	284,225	33,442	39,112	927,497	337,021
<b>NET POSITION:</b>							
Net Investment in Capital Assets:	75,751,151	67,517,050	52,422,492	47,049	9,939,872	205,677,614	8,204,387
Restricted for:							
Debt Service	801,827	237,092	398,648	-	-	1,437,567	-
Rate Stabilization	-	-	419,403	-	-	419,403	-
Unrestricted	2,928,667	18,171,153	13,739,283	4,875,683	1,378,451	41,093,237	13,440,987
Total Net Position	<u>\$ 79,481,645</u>	<u>\$ 85,925,295</u>	<u>\$ 66,979,826</u>	<u>\$ 4,922,732</u>	<u>\$ 11,318,323</u>	<u>\$ 248,627,821</u>	<u>\$ 21,645,374</u>

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

534,257  
\$ 249,162,078

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, 2017

	Enterprise Funds					Governmental Activities	
	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES:</b>							
Charges of Services	\$ 14,781,310	\$ 26,369,496	\$ 9,778,102	\$ 15,079,932	\$ 1,407,320	\$ 67,416,160	\$ 14,275,060
Other Operating Revenue	-	-	-	-	804,040	804,040	202,861
Total Operating Revenue	14,781,310	26,369,496	9,778,102	15,079,932	2,211,360	68,220,200	14,477,921
<b>OPERATING EXPENSES:</b>							
Operations & Maintenance	3,753,573	19,055,093	3,379,046	12,749,847	1,201,009	40,138,568	10,158,005
Administration	4,672,569	4,464,901	3,372,935	1,770,178	358,309	14,638,892	861,891
Depreciation / Amortization	3,269,581	2,199,711	1,885,931	18,819	510,226	7,884,268	1,862,565
Other Operating Expenses	8,964	6,648	13,085	859	16,254	45,810	-
Total Operating Expenses	11,704,687	25,726,353	8,650,997	14,539,703	2,085,798	62,707,538	12,882,461
Operating Income (Loss)	3,076,623	643,143	1,127,105	540,229	125,562	5,512,662	1,595,460
<b>NON-OPERATING REVENUE (EXPENSE):</b>							
Interest Revenue	104,564	164,566	151,733	41,713	16,556	479,132	135,747
Other Non-Operating Revenue	269,264	73,739	78,397	95,095	33,901	550,396	142,037
Gain on Sale of Capital Assets	-	-	-	-	-	-	16,512
Interest Expense	(703,321)	(258,270)	(328,972)	-	-	(1,290,563)	(3,580)
Other Non-Operating Expenses	-	-	-	-	(20,759)	(20,759)	-
Total Non-Operating Revenue (Expense)	(329,493)	(19,965)	(98,842)	136,808	29,698	(281,794)	290,716
Income (Loss) Before Contributions & Transfers	2,747,130	623,178	1,028,263	677,037	155,260	5,230,868	1,886,176
Capital Contribution	1,176,756	873,779	2,313,033	-	-	4,363,568	-
Transfers In (Note 5)	2,500,000	800,000	300,000	-	274,937	3,874,937	1,511,700
Transfers Out (Note 5)	(2,693,946)	(962,905)	(672,122)	-	(400)	(4,329,373)	(944,803)
Change in Net Position	3,729,940	1,334,052	2,969,174	677,037	429,797	9,140,000	2,453,073
Net Position, January 1	75,751,705	84,591,243	64,010,652	4,245,695	10,888,526	239,487,821	19,192,301
Net Position, December 31	\$ 79,481,645	\$ 85,925,295	\$ 66,979,826	\$ 4,922,732	\$ 11,318,323	\$ 248,627,821	\$ 21,645,374
						Change in net position from this statement	9,140,000
						Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	623,905
						Change in net position of business-type activities	\$ 9,763,905

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, 2017

Page 1 of 2

	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Non Major Enterprise Funds	Total	Government Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash Received from Users	\$ 14,724,460	\$ 26,292,793	\$ 9,755,335	\$ 14,937,407	\$ 2,212,749	\$ 67,922,744	\$ 14,465,507
Cash Paid to Suppliers for Goods & Services	(4,017,089)	(21,169,781)	(3,548,224)	(13,973,052)	(812,879)	(43,521,025)	(6,486,879)
Cash Paid for Taxes	-	(45)	(817)	(858)	(16,302)	(18,022)	-
Cash Paid to Employees	(3,855,381)	(2,512,575)	(3,765,255)	(478,771)	(721,404)	(11,333,386)	(4,542,201)
Other Cash Received	69,054	-	-	-	-	69,054	(127)
Other Non-Operating Revenue	-	1,978	20,988	-	13,740	36,706	-
Net Cash Provided (Used) by Operating Activities	6,921,044	2,612,370	2,462,027	484,726	675,904	13,156,071	3,436,300
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Interfund Loan Payable	-	-	-	-	(39,900)	(39,900)	-
Operating Grant	170,210	71,903	425,355	90,316	20,161	777,945	57,928
Transfers In	2,500,000	800,000	300,000	-	274,937	3,874,937	1,511,700
Transfers Out	(2,693,946)	(962,905)	(672,122)	-	(400)	(4,329,373)	(944,803)
Net Cash Provided (Used) by Noncapital Financing Activities	(23,736)	(91,002)	53,233	90,316	254,798	283,609	624,825
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from Sale of Equipment	-	-	-	-	-	-	189,666
Purchase of Capital Assets	(7,634,763)	(1,586,105)	(2,050,838)	-	(398,059)	(11,669,765)	(2,205,690)
Contributed Capital	597,556	458,574	817,846	-	-	1,873,976	-
Capital Grants	-	-	-	-	20,887	20,887	-
Proceeds from Other Governments	-	22,500	-	-	-	22,500	-
Proceeds from Insurance Settlement	19,970	-	-	-	-	19,970	84,067
Bond Issuance Costs	-	-	-	-	10,918	10,918	-
Principal Payment on Debt	(1,468,079)	(541,127)	(413,162)	-	(171,023)	(2,593,391)	-
Interest Payment on Debt	(814,960)	(276,483)	(361,994)	-	(20,759)	(1,474,196)	(3,580)
Debt Proceeds	91,990	-	-	-	-	91,990	(3,580)
Net Cash Provided (Used) for Capital and Related Financing Activities	(9,208,286)	(1,922,641)	(2,008,148)	-	(558,036)	(13,697,111)	(1,939,117)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>							
Interest Received	104,564	164,566	144,461	41,713	16,556	471,860	135,747
Net Cash Provided (Used) in Investing Activities	104,564	164,566	144,461	41,713	16,556	471,860	135,747
Net Increase (Decrease) in Cash and Cash Equivalents	(2,206,414)	763,293	651,573	616,755	389,222	214,429	2,261,335
Cash and Cash Equivalents - Beginning of Year	11,336,347	16,795,898	15,897,260	4,060,891	1,473,404	49,563,800	13,876,384
Cash and Cash Equivalents - End of Year	\$ 9,129,933	\$ 17,559,191	\$ 16,548,833	\$ 4,677,646	\$ 1,862,626	\$ 49,778,229	\$ 16,137,719
<b>CASH AT END OF YEAR CONSISTS OF:</b>							
Cash and Cash Equivalents	5,765,412	16,427,725	14,545,114	4,677,646	1,773,446	43,189,343	16,137,719
Restricted Cash - Bond Payments	1,690,316	535,820	804,480	-	-	3,030,616	-
Restricted Cash - Customer Deposits	43,892	79,473	3,422	-	89,180	215,967	-
Restricted Cash - Other	1,630,313	516,173	1,195,817	-	-	3,342,303	-
Total Cash	\$ 9,129,933	\$ 17,559,191	\$ 16,548,833	\$ 4,677,646	\$ 1,862,626	\$ 49,778,229	\$ 16,137,719

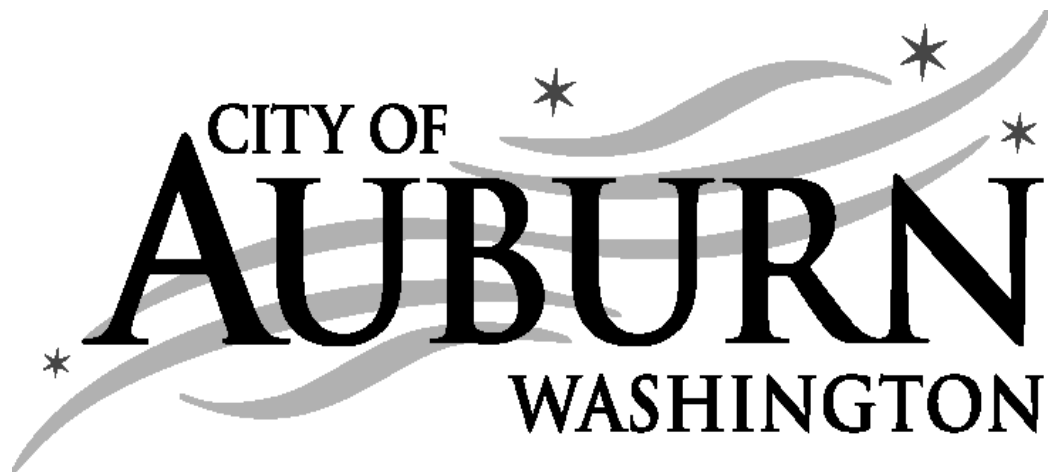
The notes to the basic financial statements are an integral part of this statement.

City of Auburn, Washington  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended December 31, 2017

Page 2 of 2

	Water	Sanitary Sewer	Storm Drainage	Solid Waste	Non Major Enterprise Funds	Total	Government Activities Internal Service Funds
<b>RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES</b>							
Operating Income (Loss)	\$ 3,076,623	\$ 643,143	\$ 1,127,105	\$ 540,229	\$ 125,562	\$ 5,512,662	\$ 1,595,460
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>							
Depreciation	3,269,581	2,199,711	1,885,931	18,819	510,226	7,884,268	1,862,565
Other Non-Operating Revenue	69,054	1,978	20,988	-	13,740	105,760	42
Asset (Increases) Decreases:							
Accounts Receivable	(64,903)	(78,959)	(22,767)	(142,525)	(6,982)	(316,136)	(12,583)
Inventory	5,064	(1,022)	(373)	-	(505)	3,164	(17,101)
Liability Increases (Decreases):							
Accounts & Vouchers Payable	754,947	(74,038)	(408,745)	98,676	54,295	425,135	154,337
Deposits Payable	8,053	2,256	-	-	8,371	18,680	-
Wages & Benefits Payable	(135,737)	(85,965)	(141,900)	(23,148)	(23,209)	(409,959)	(157,847)
Compensated Absences Payable	(61,638)	5,266	1,788	(7,325)	(5,594)	(67,503)	11,427
Total Adjustments	3,844,421	1,969,227	1,334,922	(55,503)	550,342	7,643,409	1,840,840
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,921,044</u>	<u>\$ 2,612,370</u>	<u>\$ 2,462,027</u>	<u>\$ 484,726</u>	<u>\$ 675,904</u>	<u>\$ 13,156,071</u>	<u>\$ 3,436,300</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>							
Capital Assets Acquired by Contributed Capital	579,200	415,205	1,495,187	-	-	2,489,592	-
Total Non Cash Investing, Capital and Financing Activities	<u>\$ 579,200</u>	<u>\$ 415,205</u>	<u>\$ 1,495,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,489,592</u>	<u>\$ -</u>

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 agency fund is custodial in nature; therefore, no annual budget is adopted.

### **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, 2017

		Agency Fund
<hr/>		
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$	527,745
Receivables:		
Customer Accounts		6,853
Total Assets		<u>534,598</u>
 <b>LIABILITIES:</b>		
Current Payables		485,094
Due to Other Governmental Units		49,504
Total Liabilities		<u>534,598</u>

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

City of Auburn

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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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 2017 financial statements have been presented in accordance with the following new Governmental Accounting Standards Board (GASB) Statements:

- a. GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement features two effective dates. The requirements of Statement 73 that address accounting and financial reporting by employer and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 were incorporated into the City's 2016 CAFR. The requirements of Statement 73 for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are implemented in the City's 2017 CAFR. There is no material impact to the City in implementing this standard.
- b. GASB Statement No. 82 - *Pension Issues*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There is no material impact to the City in 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. (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, deferred inflows and liabilities of the primary government. The net position section of this statement represents the residual amount of assets and their associated liabilities, deferred outflow and deferred inflows 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 the outstanding balances of any borrowing (bonds, loans) used for acquisition, construction, or improvement of those 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 governmental 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 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 “unavailable 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 and agency 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 these balance sheets. Reported fund balance is considered a measure of “available spendable resources”. Governmental fund operating statements focus on measuring cash flows rather than net income; and 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 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. The city has one permanent fund, Cemetery Endowment.

## 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 proprietary fund activity are included on the 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. Four enterprise funds are considered major funds. Utilities provided to residents are accounted for in the water fund, sanitary sewer fund, storm drainage fund, and the solid waste fund.
- 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. Fiduciary funds are classified for accounting measurement purposes as either a governmental fund or a proprietary fund. The city has one fiduciary fund, an Agency Fund. The Agency fund is custodial in nature on behalf of another individual, entity, or government 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 fund 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 1<sup>st</sup>. 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 31<sup>st</sup>, 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
<b>Governmental Funds</b>			
General Fund	\$ 64,735,515	\$ 3,742,398	\$ 68,477,913
Total Governmental Funds	<u>64,735,515</u>	<u>3,742,398</u>	<u>68,477,913</u>
<b>Special Revenue Funds:</b>			
Local Street	\$ 1,600,000	\$ 1,264,398	\$ 2,864,398
Arterial Street	12,320,712	6,484,926	18,805,638
Hotel/Motel Tax	86,000	141,500	227,500
Arterial Street Preservation	2,884,378	2,112,193	4,996,571
Drug Forfeiture Fund	273,027	-	273,027
Housing and Community Development	440,000	715,398	1,155,398
Business Improvement Area	55,000	-	55,000
Cumulative Reserve	1,917,084	36,214	1,953,298
Mitigation Fees	1,221,827	2,719,018	3,940,845
Total Special Revenue Funds	<u>20,798,028</u>	<u>13,473,647</u>	<u>34,271,675</u>
<b>Total Budgeted Funds</b>	<u>\$ 85,533,543</u>	<u>\$ 17,216,045</u>	<u>\$ 102,749,588</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, 2017, the Washington State Local Government Investment Pool (LGIP) was holding \$116,427,623 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 or amortized cost. 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 amortized cost.

### **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 service 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. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **10. 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. Deferred outflows and deferred inflows of resources related to pensions are reported for differences between expected and actual experience, changes of assumptions, and differences between projected and actual returns on pension plan investments.

#### **11. 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 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.

#### **12. 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.

**13. 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.

**14. 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, 2017:

**Governmental Fund Balances**  
December 31, 2017

	General Fund	Major		Other Governmental Funds	Total Governmental Funds
		Arterial Street Fund	Capital Improvement Fund		
<b>Nonspendable</b>					
Inventory	\$ 30,453	\$ -	\$ -	\$ -	\$ 30,453
Cemetery Endowment	\$ -	\$ -	\$ -	\$ 1,717,134	\$ 1,717,134
Total Nonspendable	30,453	-	-	1,717,134	1,747,587
<b>Restricted</b>					
Major Street Construction	-	2,584,136	-	-	2,584,136
REET 1 Allowable Projects	-	-	4,824,406	-	4,824,406
REET 2 Allowable Projects	-	-	5,970,116	-	5,970,116
Arterial Street Presevation Fund	-	-	-	1,557,947	1,557,947
Parks and Trails Construction Projects	-	-	-	1,018,032	1,018,032
City Tourism Promotion	-	-	-	200,371	200,371
Drug Investigation and Enforcement	-	-	-	381,136	381,136
Community Development Block Grant Program	-	-	-	44,904	44,904
Recreational Trail Development	-	-	-	57,022	57,022
Downtown Business Area Improvements	-	-	-	93,710	93,710
Street and Fire Service Mitigation Fees	-	-	-	11,395,640	11,395,640
Debt Service	-	-	-	9,686	9,686
Total Restricted	-	2,584,136	10,794,522	14,758,448	28,137,106
<b>Committed</b>					
Local Street Improvements (Save our Streets)	-	-	-	2,766,701	2,766,701
Arterial Street Preservation	-	-	-	456,407	456,407
Total Committed	-	-	-	3,223,108	3,223,108
<b>Assigned</b>					
Appropriations Over Estimated Revenue	9,315,528	-	-	-	9,315,528
Arterial Street Preservation Fund	-	-	477,323	25,483	502,806
Drug Investigation and Enforcement	-	-	-	3,918	3,918
Recreation Trail Development	-	-	-	504	504
Downtown Business Area Improvements	-	-	-	763	763
Local Street Improvements	-	-	-	176,649	176,649
School Administration Fees	-	-	-	56,115	56,115
Cemetery Capital Enhancement and Maintenance	-	-	-	94,375	94,375
Downtown Infrastructure Improvements	-	-	-	374,966	374,966
Debt Service	-	-	-	11,415	11,415
Total Assigned	9,315,528	-	477,323	744,188	10,537,039
<b>Unassigned</b>					
Unassigned	25,414,801	-	-	-	25,414,801
Total Unassigned	25,414,801	-	-	-	25,414,801
<b>Total Fund Balances</b>	<b>\$ 34,760,782</b>	<b>\$ 2,584,136</b>	<b>\$ 11,271,845</b>	<b>\$ 20,442,878</b>	<b>\$ 69,059,641</b>

**F. Revenues, Expenditures and Expenses**

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund’s principal ongoing operations. For the city, operating expenses for proprietary funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, 2017, the carrying amount of the City's cash demand deposits with Key Bank totaled \$6,129,754 while the bank balance was \$6,341,880. In addition, the balance of the City's interest bearing checking account with Opus Bank totaled \$10,020,030. Furthermore, there was \$18,800 in petty cash (\$10,000 in the Drug Forfeiture Fund to be used for enforcements purposes, \$8,800 in various petty cash and cashier change funds).

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

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

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

As required by State law, all investments of the City's funds are obligations of the U.S. Government, or deposits with Washington State banks that participate in the WPDPC. Pension and permanent funds are not subject to these limitations. All temporary investments such as the State Investment Pool are stated at amortized cost. Other investments are shown on the statement of net position at fair value as of December 31, 2017. In accordance with GASB Statement 79, the state investment pool (LGIP) is reported at amortized cost, and is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The LGIP meets the maturity, quality, diversification and liquidity requirements as set forth in GASB Statement 79. The LGIP is an unrated external investment pool, and was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

During 2017, the net decrease in the fair value of investments being held for more than one year is \$4,740 at year-end.

As of December 31, 2017, the City had the following investments and maturities:

Schedule of Investments by Maturities  
As of December 31, 2017

Investment Type	Fair Value	Investment maturities			
		Less than 1 year	1 to 2 years	2 to 3 years	Greater than 3 years
US Treasuries	\$ 992,430	\$ -	\$ 992,430	\$ -	\$ -
	<u>\$ 992,430</u>	<u>\$ -</u>	<u>\$ 992,430</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to government-wide statement of net position:					
Total investments above	\$ 992,430				
Plus: cash in checking	16,149,783				
Plus: petty cash	18,800				
Plus: cash with outside agency	(391)				
Less: cash investments in fiduciary funds	(527,745)				
Total cash and investments at fair value	<u>\$ 16,632,873</u>				
	Amortized Cost				
State investment pool (LGIP)	116,427,623	\$ 116,427,623	\$ -	\$ -	\$ -
	<u>\$ 116,427,623</u>	<u>\$ 116,427,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and investments, government-wide statement of net position	<u>\$ 133,060,496</u>				

Reconciliation of Cash and Investments  
Government-Wide Statement of Net Position  
As of December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 60,013,183	\$ 43,189,343	\$ 103,202,526
Cash with Outside Agencies	(391)	-	(391)
Investments	992,430	-	992,430
Temporarily Restricted:			
Cash and Cash Equivalents	20,559,911	6,588,886	27,148,797
Permanently Restricted:			
Cash and Cash Equivalents	1,717,134	-	1,717,134
	<u>\$ 83,282,267</u>	<u>\$ 49,778,229</u>	<u>\$ 133,060,496</u>

The city measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- \*Level 1 – Quoted prices in active markets for identical assets or liabilities;
- \*Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other quoted prices that are not observable;
- \*Level 3 – Unobservable inputs for an asset or liability.

At December 31, 2017, the city had the following investments measured at fair value:

Investments and Derivative Instruments Measured at Fair Value  
As of December 31, 2017

Investments by Fair Value Level	12/31/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasuries - Federal National Mortgage Assoc.	\$ 992,430	\$ 992,430	\$ -	\$ -
<b>Total Investments by Fair Value Level</b>	<b>\$ 992,430</b>	<b>\$ 992,430</b>	<b>\$ -</b>	<b>\$ -</b>

*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 five 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, 2017, the City had investments in a limited number of investment instruments as follows:

- U.S. Treasuries
- State Local Government Investment Pool

With the exception of the State Local Government Investment Pool which is not rated, all other investments above carried a rating of Aaa by Moody's rating service at December 31, 2017.

#### *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. City investment policy restricts security holdings to 25 - 40% of the City's total investment portfolio in a single security type. This restriction excludes US Treasury obligations and the Washington State Local Government Investment Pool both of which may comprise 100% of the total investment portfolio.

#### *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, 2017

	State Investment Pool	U.S. Securities	Total
General Fund	\$ -	\$ 992,430	\$ 992,430
Permanent Fund		-	-
Enterprise Funds	-	-	-
Internal Service Funds	-	-	-
Fiduciary Funds	-	-	-
Treasurer's Residual Funds	116,427,623	-	116,427,623
Total	116,427,623	\$ 992,430	\$ 117,420,053

**NOTE 4 – PROPERTY TAXES**

Property taxes received during tax year 2017 were \$20,976,384 including collection of prior year delinquent assessments. Property taxes assessed for collection in tax year 2017 were based on a regular tax levy of \$2.05 per \$1,000 on a total 2016 assessed value of \$9,555,039,113.

For levy year 2017, to be received in 2018, the City’s regular tax levy is \$2.20 per \$1,000 on a 2017 assessed valuation of \$10,559,150,607, as of December 31, 2017, for a total regular levy of \$21,548,429. 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, 2017, the debt limits for the City were as follows:

Item	Without a Vote 1.50%	With a Vote			Total Capacity
		General Purposes 1.00%	For Utilities 2.50%	For Parks or Open Space Development 2.50%	
Legal Limit	\$ 158,387,259	\$105,591,506	\$ 263,978,765	\$ 263,978,765	\$ 791,936,295
Outstanding indebtedness	(54,208,225)	-	-	-	(54,208,225)
Margin available	\$ 104,179,034	\$105,591,506	\$ 263,978,765	\$ 263,978,765	\$ 737,728,070

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 market value. A revaluation of all property is required every year 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 \$50. 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. No allowance for uncollectable taxes is established because delinquent taxes are considered fully collectable.

At year-end, property taxes are recorded as a receivable with the portion not expected to be collected within 60 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 and transfers into capital project and debt service funds. Interfund transfers for the year ended December 31, 2017 were as follows:

Funds	Transfers	
	Transfer In	Transfer Out
<b>Governmental funds:</b>		
General	\$ 79,000	\$ 3,100,302
Cumulative Reserve	1,000,000	-
Total general fund	1,079,000	3,100,302
<b>Special revenue funds:</b>		
Arterial Streets	1,999,610	7,024
Local Streets (other governmental)	150,000	5,826
Hotel / Motel tax (other governmental)	-	5,000
Arterial Street Preservation (other gov't)	194,915	51,776
Mitigation Fees (other governmental)	-	1,969,497
Total special revenue funds	2,344,525	2,039,123
<b>Debt service funds:</b>		
1998 Library GO (other governmental)	283,850	-
2010 A&B Annex (other governmental)	1,316,610	-
2010 C&D Local Revitalization (other gov't)	222,510	-
LID 250 (other governmental)	374,615	-
Total debt service funds	2,197,585	-
<b>Capital projects funds:</b>		
Municipal Park Construction (other gov't)	954,124	-
Capital Improvements	475,583	2,023,853
Total capital projects funds	1,429,707	2,023,853
<b>Proprietary funds:</b>		
Water	2,500,000	2,693,946
Sewer	800,000	962,905
Storm Drainage	300,000	672,122
Airport (non-major enterprise)	274,937	-
Cemetery (non-major enterprise)	-	400
Total proprietary funds	3,874,937	4,329,374
<b>Internal service funds:</b>		
Insurance	670,715	-
Facilities	-	888,503
Innovation & Technology	368,953	56,300
Equipment Rental	472,032	-
Total internal service funds	1,511,700	944,803
<b>Total</b>	<b>\$ 12,437,454</b>	<b>\$ 12,437,454</b>

All transfers are considered routine.



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

Interfund Loans		Balance			Balance
Due From	Due To	1/1/2017	New Loans	Repayments	12/31/2017
Housing & Comm. Dev.	General fund	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Airport Fund	Capital Improvement	133,682	-	39,900	93,782
Parks Construction	General fund	400,000	-	400,000	-
Total interfund loans		<u>\$ 583,682</u>	<u>\$ 50,000</u>	<u>\$ 489,900</u>	<u>\$ 143,782</u>

All interfund loans are considered short-term cash loans.

\*The purpose of the interfund loan to Housing & Community Development is to cover authorized expenditures while the City waits for reimbursement of federal Community Development Block Grant monies.

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

\*The purpose of the interfund loan to the Municipal Parks Construction Fund (a Grant Sustained Fund) was to cover authorized expenditures while the City waited for reimbursement of federal, state, and local grant monies.

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

As of December 31, 2017 the City had receivables due from other governmental units as follows:

<b>Due from Other Governmental Units</b>	
<b>General Fund:</b>	
WSDOT -Excavation Permits	\$ 300
King Conservation District -Farmer's Market	10,094
King County District Court	510,117
King County Library Systems	7,620
King County -Real Estate Excise Taxes	299,559
King County Sheriff's - Registered Sex Offender Grant	370
Pierce County - Real Estate Excise Taxes	12,864
Muckleshoot Indian Tribe	266,528
Department of Commerce -VNET	1,588
Seattle Police Dept -US Department of Justice JAG Grant	23,961
US Department of Justice -Bulletproof Vest Program	4,985
US Department of Justice -COPS Hiring Program	55,389
WA Auto Theft Prevention Authority - Auto Theft Prevention Grant	74,981
WA State Criminal Justice Training	11,586
WA State Military Department -EMPG Grant	12,459
WA State Traffic Safety Commission - Grants	8,427
WA State Treasurer - Sales Taxes	<u>1,468,586</u>
Total General Fund	2,769,412
<b>Arterial Street Fund:</b>	
WA State Transportation Improvement Board - Arterial Street Imp.	1,292,367
WA Dept. of Transportation - Arterial street imp.	<u>668,988</u>
Total Arterial Street Fund	1,961,355
<b>Arterial Street Preservation Fund:</b>	
WA Dept. of Transportation - Arterial street imp.	7,939
<b>Drug Forfeiture Fund:</b>	
Pierce County Sheriff's Department -TNET	7,074
Pierce County Sheriff's Department -OCDET	<u>3,530</u>
Total Drug Forfeiture Fund	10,605
<b>Housing &amp; Community Development:</b>	
U.S. Dept. of Housing - Community Development Block Grant	161,956
<b>General Government Capital Improvements:</b>	
4Culture -Grant	9,903
Pierce County - Real Estate Excise Taxes	32,325
WA State Transportation Improvement Board -Grant	<u>1,821</u>
	44,050
<b>Water Fund:</b>	
Valley Communications -Lease	1,000
<b>Storm Fund:</b>	
City of Algona -Decant Admin Fee	90
City of Pacific -Decant Admin Fee	300
King Conservation District	20,000
WA State Department of Ecology	<u>49,734</u>
Total Storm Drainage Fund	70,124
<b>Solid Waste Fund:</b>	
King County - Local hazardous waste management grant	14,659
King County - Waste reduction and recycling grant	<u>54,874</u>
Total Solid Waste fund	69,534
<b>Water Capital Fund:</b>	
WA State Military Department -Grant	16,968
<b>Airport Capital Fund</b>	
Federal Aviation Administration	13,990
<b>Facilities Fund:</b>	
VRFA	15
<b>Information Services Fund:</b>	
City of Algona	500
City of Pacific	3,620
VRFA	<u>2,077</u>
Total Information Services fund	6,196
<b>Total</b>	<u><u>\$ 5,133,144</u></u>
<b>Reconciliation to government-wide statement of net assets:</b>	
Total above due from other governmental units	5,133,144
Amount due to fiduciary fund	<u>-</u>
Total due from other governmental units, government-wide statement of net assets	<u><u>\$ 5,133,144</u></u>

**NOTE 7 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2017 is as follows:

**Schedule of Capital Asset Activity**

	Balance 1/1/17	Increases	Decreases/ Adjustments	Balance 12/31/17
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 108,793,702	\$ 96,553	\$ -	\$ 108,890,255
Construction in progress	10,999,486	10,042,632	(10,964,759)	10,077,359
Total capital assets, not being depreciated	119,793,188	10,139,185	(10,964,759)	118,967,614
Capital assets, being depreciated:				
Buildings	73,554,732	61,547	-	73,616,279
Improvements other than buildings	22,557,659	447,780	-	23,005,439
Machinery and equipment	28,288,914	2,309,293	(1,034,486)	29,563,721
Intangibles	1,095,684	-	-	1,095,684
Infrastructure	365,765,293	21,097,174	-	386,862,467
Total capital assets being depreciated	491,262,282	23,915,794	(1,034,486)	514,143,590
Less: accumulated depreciation for:				
Buildings	(18,453,104)	(1,548,625)	-	(20,001,729)
Improvements other than buildings	(14,744,318)	(770,706)	-	(15,515,024)
Machinery and equipment	(19,852,415)	(1,919,846)	861,332	(20,910,929)
Intangibles	(903,154)	(154,563)	-	(1,057,717)
Infrastructure	(156,724,587)	(13,978,338)	-	(170,702,925)
Total accumulated depreciation	(210,677,578)	(18,372,078)	861,332	(228,188,324)
Total capital assets, being depreciated, net	280,584,704	5,543,716	(173,154)	285,955,266
Governmental activities capital assets, net	<u>\$ 400,377,892</u>	<u>\$ 15,682,901</u>	<u>\$ (11,137,913)</u>	<u>\$ 404,922,880</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,526,187	\$ -	\$ -	\$ 12,526,187
Water Rights	5,196,600	252,586	-	5,449,186
Construction in progress	7,623,079	11,310,392	(8,659,863)	10,273,608
Total capital assets, not being depreciated	25,345,866	11,562,978	(8,659,863)	28,248,981
Capital assets, being depreciated:				
Buildings	6,039,603	37,283	-	6,076,886
Improvements other than buildings	311,931,706	11,159,092	-	323,090,798
Machinery and equipment	2,480,505	59,867	-	2,540,372
Total capital assets being depreciated	320,451,814	11,256,242	-	331,708,056
Less: accumulated depreciation for:				
Buildings	(3,932,774)	(118,961)	-	(4,051,735)
Improvements other than buildings	(108,050,613)	(7,733,957)	-	(115,784,570)
Machinery and equipment	(2,215,477)	(31,350)	-	(2,246,827)
Total accumulated depreciation	(114,198,864)	(7,884,268)	-	(122,083,132)
Total capital assets, being depreciated, net	206,252,950	3,371,974	-	209,624,924
Business-type activities capital assets, net	<u>\$ 231,598,816</u>	<u>\$ 14,934,952</u>	<u>\$ (8,659,863)</u>	<u>\$ 237,873,905</u>

Capital asset activity for the year ended December 31, 2017 is as follows:

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

Governmental activities:	
General government	\$ 1,017,296
Public safety	440,566
Transportation	13,565,902
Physical environment	-
Culture and recreation	1,485,749
Economic environment	-
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>1,862,565</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 18,372,078</u>
Business-type activities:	
Water	\$ 3,269,581
Sanitary sewer	2,199,711
Storm water	1,885,931
Solid waste	18,819
Golf course	-
Airport	462,843
Cemetery	47,383
Total depreciation expense - business-type activities	<u>\$ 7,884,268</u>

The 2017 total interest cost incurred for business-type activities was \$1,331,752 of which \$1,290,563 was charged to expense and \$41,189 capitalized.

## NOTE 8 – CAPITAL LEASE OBLIGATION

The City has the following capital leases:

On 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.

On July 15, 2015 the City entered into a 5 year term capital lease agreement to finance the purchase of a John Deere Excavator. The lease agreement qualifies as a capital lease for accounting purposes.

The assets acquired through capital leases are as follows:

### Assets Acquired Through Capital Leases

Asset	Governmental Activities
Auburn Avenue Theater	\$ 749,110
John Deere Excavator	204,710
Less: Accumulated Depreciation	<u>(638,739)</u>
Total Assets Acquired Through Capital Leases	<u>\$ 315,081</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

### Schedule of Future Minimum Lease Payments

	Lease Payable		
	Theater	Excavator	Total
2018	79,339	44,342	123,681
2019	79,339	44,342	123,681
2020	79,339	22,582	101,921
2021	80,334	-	80,334
Total minimum lease payments	318,351	111,266	429,617
Less: Amounts representing interest	(43,104)	(4,593)	(47,697)
Present value of future minimum lease payments	\$ 275,247	\$ 106,673	\$ 381,920

## 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:

- 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, 2017 is \$270,000.

- 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.
- 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.
- 2016 Limited Tax General Obligation Refunding Bonds were issued for the primary purposes of (a) refunding on a current basis the 2005 Limited Tax General Obligation Refunding Bonds and (b) refunding on an advance basis the 2006A Limited Tax General Obligation Bonds.

The net proceeds were used to purchase United States government securities. Those securities were deposited into an irrevocable trust with an escrow agent to (a) pay the full outstanding principal and interest on the 2005 Bonds on the redemption date and to (b) provide for all future debt service payments on the 2006A bonds which were refunded. As a result of these transactions, the 2005 and 2006A bonds are considered to be defeased and the liability for those bonds

has been removed from the City’s financial statements. The remaining balance of outstanding defeased debt as of December 31, 2017 is \$3,134,433.

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

**State of Washington Public Works Trust Fund and Drinking Water State Revolving Fund Loans** are a direct responsibility of the City. Auburn currently has nine outstanding loans with a remaining total balance of \$10,394,433. Seven 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, & DWSRF 2016). 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, 2017. 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 <sup>(1)</sup>	Utility	Employee Leave Benefit	Other Post Employment Benefits	Net Pension Liability	Firemen's Pension Liability	Premium	Due To Other Governments	Total
Long-term liabilities payable 12/31/16	\$33,685,361	\$36,067,767	\$2,879,166	\$8,447,831	\$22,652,229	\$-	\$1,313,939	\$23,612,700	\$128,658,993
Added	937	91,990	2,307,540	1,268,760	-	3,212,435	-	-	6,881,662
Retired	(1,836,905)	(2,422,368)	(2,162,171)	(578,606)	(5,052,499)	-	(113,312)	(694,400)	(12,860,261)
Long-term liabilities payable 12/31/17	\$31,849,393	\$33,737,389	\$3,024,535	\$9,137,985	\$17,599,730	\$3,212,435	\$1,200,627	\$22,918,300	\$122,680,394

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

**DEBT SERVICE REQUIREMENT TO MATURITY**

Year	General Obligation Bonds		Capital Lease Obligation		Utility Bonds/Loans		Total Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal <sup>(1)</sup>	Interest
2018	2,304,062	2,939,960	103,252	19,258	2,679,966	1,402,903	5,087,280	4,362,121
2019	2,094,636	2,843,041	108,796	13,713	2,734,966	1,343,198	4,938,398	4,199,952
2020	1,969,766	2,755,227	95,486	7,926	2,612,597	1,272,380	4,677,849	4,035,533
2021	2,039,702	2,665,409	75,381	2,776	2,672,597	1,206,698	4,787,680	3,874,883
2022	2,109,908	2,564,978	-	-	2,505,512	1,118,027	4,615,420	3,683,004
2023-2027	10,919,809	11,108,478	-	-	12,967,816	4,073,754	23,887,625	15,182,232
2028-2032	11,987,250	7,719,511	-	-	10,203,041	1,115,299	22,190,291	8,834,810
2033-2037	13,236,450	3,596,130	-	-	584,966	10,237	13,821,416	3,606,367
2038-2042	4,031,150	282,084	-	-	467,972	2,925	4,499,122	285,009
Totals	\$50,692,733	\$36,474,818	\$382,915	\$43,673	\$37,429,434	\$11,545,420	\$88,505,082	\$48,063,912

<sup>(1)</sup> \$ 88,505,082 Principal debt service requirements to maturity  
 3,024,535 Employee Leave Benefits  
 9,137,985 Other Post Employment Benefits  
 17,599,730 Net Pension Liability  
 3,212,435 Firemen's Pension Liability  
 1,200,627 Premium  
 \$ 122,680,394 Long Term Liabilities 12/31/2017

## CHANGES IN LONG-TERM LIABILITIES

Issue Name	Interest Rates	Maturity Date	Original Amount <sup>(2)</sup>	Principal Installments	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year
<b>GOVERNMENTAL DEBT</b>									
<u>General Obligation Bonds:</u>									
LTGO 2010A <sup>(1)</sup>	2.00-4.50%	12/1/2018	4,385,000	\$235,000 - \$720,000	\$ 530,000	\$ -	\$ (260,000)	\$ 270,000	\$ 270,000
LTGO 2010B <sup>(1)</sup>	3.27-6.24%	12/1/2039	20,365,000	\$535,000 - \$1,240,000	19,285,000	-	(560,000)	18,725,000	575,000
LTGO 2010D <sup>(1)</sup>	3.27-6.19%	12/1/2034	6,320,000	\$220,000 - \$445,000	5,875,000	-	(230,000)	5,645,000	240,000
LTGO Refunding 2016 - Golf/Cemetery	1.64 -1.64%	12/1/2025	3,166,930	\$71,470 - \$366,159	3,095,460	-	(323,849)	2,771,611	326,560
Total General Obligation Bonds			34,236,930		28,785,460	-	(1,373,849)	27,411,611	1,411,560
<u>Capital Leases:</u>									
Auburn Avenue Theater	6.58%	12/31/2021	695,504	\$4,114 - \$6,514	330,151	937	(57,642)	273,446	61,644
John Deere Financial Excavator Lease	3.00%	7/15/2020	204,710	\$3,695	146,484	-	(37,015)	109,468	41,608
Total Capital Leases			900,214		476,635	937	(94,657)	382,914	103,252
<u>Employee Leave Benefits:</u>									
Compensated absences					2,232,931	1,866,002	(1,653,130)	2,445,803	1,878,492
<u>Other Post Employment Benefits:</u>									
LEOFF 1					8,447,831	1,268,760	(578,606)	9,137,985	-
<u>Pensions:</u>									
Net Pension Liability					15,449,080	-	(3,462,297)	11,986,783	-
Firemen's Pension Liability					-	3,212,435	-	3,212,435	-
<u>Public Works Trust Fund Loans:</u>									
PWTF 2008	0.50%	7/1/2028	1,527,273	\$80,383	964,593	-	(80,383)	884,210	80,383
PWTF 2012	0.50%	6/1/2041	3,284,857	\$116,993	2,924,828	-	(116,993)	2,807,835	116,993
Total Public Works Trust Fund Loans			4,812,130		3,889,421	-	(197,376)	3,692,045	197,376
Premium Related to Debt					108,655	-	(34,727)	73,928	-
<b>Total Governmental</b>			<b>\$ 39,949,274</b>		<b>\$ 59,390,013</b>	<b>\$ 6,348,134</b>	<b>\$ (7,394,642)</b>	<b>\$ 58,343,504</b>	<b>\$ 3,590,680</b>
<b>BUSINESS-TYPE DEBT</b>									
<u>General Obligation Bonds</u>									
LTGO Refunding 2016 - Airport	1.64 -1.64%	12/1/2019	700,284	\$166,439 - \$186,420	533,845	-	(171,023)	362,822	176,402
Total General Obligation Bonds			700,284		533,845	-	(171,023)	362,822	176,402
<u>Revenue Bonds:</u>									
Utility sys bonds 2010 <sup>(1)</sup>	3.00-6.40%	12/1/2030	21,295,000	\$575,000 - \$1,720,000	18,895,000	-	(1,030,000)	17,865,000	1,070,000
Utility sys bonds 2013 <sup>(1)</sup>	0.38-4.00%	12/1/2032	11,415,000	\$335,000 - \$785,000	9,650,000	-	(480,000)	9,170,000	490,000
Total Revenue Bonds			32,710,000		28,545,000	-	(1,510,000)	27,035,000	1,560,000
<u>Employee Leave Benefits:</u>									
Compensated absences					646,235	441,538	(509,041)	578,732	444,493
<u>Net Pension Liability</u>									
					7,203,149	-	(1,590,202)	5,612,947	-
<u>Public Works Trust Fund &amp; Drinking Water Loans:</u>									
PWTF 1999	1.00%	7/1/2019	3,465,000	\$182,368	547,105	-	(182,368)	364,736	182,368
PWTF 2001	0.50%	7/1/2021	4,290,405	\$227,086	1,135,428	-	(227,086)	908,343	227,086
PWTF 2002	1.00%	7/1/2022	641,250	\$26,114	156,687	-	(26,114)	130,572	26,114
PWTF 2004	0.50%	7/1/2024	2,049,036	\$107,844	862,752	-	(107,844)	754,908	107,844
PWTF 2006	0.50%	7/1/2026	3,325,000	\$180,418	1,804,180	-	(180,418)	1,623,763	180,418
PWTF 2013	2.00%	6/1/2032	3,325,000	\$188,538	3,016,615	-	(188,538)	2,828,076	188,538
DWSRF 2016	1.50%	10/1/2026	1,353,400	\$10,221	-	91,990	-	91,990	10,221
Total Public Works Trust Fund & Drinking Water Loans			18,449,091		7,522,767	91,990	(912,368)	6,702,388	922,589
Premium Related to Debt					1,205,284	-	(78,585)	1,126,699	-
<b>Total Proprietary</b>			<b>\$ 51,859,375</b>		<b>\$ 45,656,280</b>	<b>\$ 533,528</b>	<b>\$ (4,771,219)</b>	<b>\$ 41,418,588</b>	<b>\$ 3,103,487</b>
<b>Total All Funds</b>			<b>\$ 91,808,649</b>		<b>\$ 105,046,293</b>	<b>\$ 6,881,662</b>	<b>\$ (12,165,861)</b>	<b>\$ 99,762,092</b>	<b>\$ 6,694,167</b>

<sup>(1)</sup> Subject to federal arbitrage compliance rules.<sup>(2)</sup> 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.

**Due to Other Governments**

- 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 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year
<b>GOVERNMENTAL DEBT:</b>									
<u>General Obligation Bonds:</u>									
SCORE Public Development Authority	3.00-6.62%	1/1/2039	26,732,850	\$593,650 - \$1,601,150	23,612,700	-	(694,400)	22,918,300	716,100
<b>Total General Obligation Bonds</b>									
<b>Due Other Governments</b>			<u>\$ 26,732,850</u>		<u>\$ 23,612,700</u>	<u>\$ -</u>	<u>\$ (694,400)</u>	<u>\$ 22,918,300</u>	<u>\$ 716,100</u>

**LONG-TERM LIABILITIES RECONCILIATION**

	Enterprise Funds	Governmental Funds	12/31/17
Liabilities payable from restricted assets:			
Revenue bonds	\$ 2,922,900	\$ -	\$ 2,922,900
Long-term bonds payable:			
General obligation bonds	362,822	27,411,611	27,774,433
Capital lease	-	382,914	382,914
Revenue bonds	24,112,100	-	24,112,100
Public Works Trust Fund loans	6,702,388	3,692,045	10,394,433
Due to Other Governments	-	22,918,300	22,918,300
Employee leave benefits	578,732	2,445,803	3,024,535
Other Post Employment Benefits	-	9,137,985	9,137,985
Net Pension Liability	5,612,947	11,986,783	17,599,730
Firemen's Pension Liability	-	3,212,435	3,212,435
Premium	1,126,699	73,928	1,200,627
<b>Total long-term debt</b>	<u>\$ 41,418,588</u>	<u>\$ 81,261,804</u>	<u>\$ 122,680,394</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 2017 was 3.33. 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 arbitrage rebate as of December 31, 2017 is \$0 for its tax-exempt bond issues.



**Note 10 – Pension Plans**

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (17,599,730)
Pension assets	\$ 6,702,047
Deferred outflows of resources	\$ 3,143,002
Deferred inflows of resources	\$ (4,516,982)
Pension expense/expenditures	\$ 1,592,900

\*Pension Assets GASB 68 equals total Net Position Statement

**State Sponsored Pension Plans**

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>

\* For employees participating in JBM, the contribution rate was 12.26%.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>

\* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July – December 2017.

The City’s actual PERS plan contributions were \$1,216,069 to PERS Plan 1 and \$1,714,887 to PERS Plan 2/3 for the year ended December 31, 2017.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. 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 three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.59%</b>	<b>8.41%</b>
July – December 2017		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The City’s actual contributions to the plan were \$656,346 for the year ended December 31, 2017.

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 the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$380,132.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) 2007-2012 Experience Study and the 2015 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

### Sensitivity of NPL

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 11,133,883	\$ 9,139,685	\$ 7,412,282
PERS 2/3	22,792,245	8,460,044	(3,283,068)
LEOFF 1	(1,153,005)	(1,554,407)	(1,899,120)
LEOFF 2	\$ 1,113,941	\$ (5,147,640)	\$ (10,249,314)

### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a total pension liability of \$10,897,682 for its proportionate share of the net pension liabilities as follows:

	Liability (Asset)
PERS 1	\$ 9,139,685
PERS 2/3	8,460,044
LEOFF 1	(1,554,407)
LEOFF 2	\$ (5,147,640)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer’s proportionate share	\$ (1,554,407)	\$ (5,147,640)
State’s proportionate share of the net pension asset associated with the employer	(10,513,971)	(3,339,178)
TOTAL	\$ (12,068,378)	\$(8,486,817)

At June 30, the City’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.194185%	0.192614%	(0.001571)%
PERS 2/3	0.242776%	0.243488%	0.000712 %
LEOFF 1	0.101574%	0.102451%	0.000877%
LEOFF 2	0.359661%	0.370954%	0.011293 %

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2017, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 475,481
PERS 2/3	1,201,215
LEOFF 1	(257,088)
LEOFF 2	173,292
TOTAL	\$ 1,592,900

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments		341,067
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	625,456	
<b>TOTAL</b>	<b>\$ 625,456</b>	<b>\$ 341,067</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 857,202	\$ 278,236
Net difference between projected and actual investment earnings on pension plan investments		2,255,244
Changes of assumptions	89,862	
Changes in proportion and differences between contributions and proportionate share of contributions	48,701	10,996
Contributions subsequent to the measurement date	934,975	
<b>TOTAL</b>	<b>\$ 1,930,740</b>	<b>\$ 2,544,476</b>

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments		144,441
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
<b>TOTAL</b>	<b>\$</b>	<b>\$ 144,441</b>

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 226,249	\$ 195,207
Net difference between projected and actual investment earnings on pension plan investments		1,155,681
Changes of assumptions	6,199	
Changes in proportion and differences between contributions and proportionate share of contributions		136,110
Contributions subsequent to the measurement date	354,359	
<b>TOTAL</b>	<b>\$ 586,806</b>	<b>\$ 1,486,999</b>



Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2018	\$ (230,540)	\$ (892,068)	\$ (90,649)	\$ (556,277)
2019	72,785	251,250	24,448	94,881
2020	(16,900)	(189,859)	(9,763)	(104,678)
2021	(166,413)	(902,906)	(68,477)	(522,542)
2022	-	80,379	-	(29,631)
Thereafter	\$ -	\$ 104,493	\$ -	\$ (136,304)

#### 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 provides 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. Membership of the Firemen's Pension Plan consisted of 13 eligible inactive employees or their beneficiaries, of which 11 received city paid benefits. There are no active employees in this plan.

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 (which is not considered a special funding situation), interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pension obligations. In 2017, \$78,078 was received from the state from taxes on fire insurance premiums, and \$22,111 was received from interest earnings. On-behalf payments of fringe benefits and salaries for the City's employees were recognized as revenues and expenditures/expenses during the period. Administrative costs, such as City staff time and actuarial valuation costs are funded from interest earnings or City contributions.

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 there are no assets accumulated in a qualifying trust and 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 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. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The following table represents the plan aggregate pension amounts for 2017:

Aggregate Pension Amounts – Fire Relief and Pension Plan	
Pension liabilities	\$ (3,212,435)
Deferred outflows of resources	\$ 0
Deferred inflows of resources	\$ 0
Pension expense/expenditures	\$ 116,491

**Service Retirement Benefit**

The amount of a members benefit is based upon the rank of the firefighter at the time of retirement and amounts to 50% of salary plus an additional 2% for each year of service in excess of 25 years, to a maximum benefit of 60% of salary. An annual post-retirement increase is determined based upon 2 factors:

- escalation by salary in proportion to the current salary of rank from which the firefighter retired (RCW 41.18.040), and
- increase proportionate to the annual increase in the Seattle-area CPI and regardless of the increase (or decrease) in the CPI, the benefits are increased at least 2% each year. (RCW 41.18.104)

**Assumptions and Other Inputs to the Total Pension Liability**

GASB Statement 73 requires a schedule of changes in Total Pension Liability from year to year. Both the December 31, 2016 and the December 31, 2017 amounts are based on the January 1, 2017 actuarial valuation (the valuation date) and then projected forward to the measurement date. The measurement date is December 31, 2017 which is the date as of which the total pension liability is determined.

The discount rate and other key actuarial assumptions utilized are noted below:

Fire Relief and Pension Plan	December 31, 2016	December 31, 2017
Discount Rate – municipal bond rate (average rating AA/Aa or higher)	3.75%	3.50%
Valuation Date	January 1, 2017	January 1, 2017
Measurement Date	December 31, 2016	December 31, 2017
Inflation	2.25%	2.25%
Salary Increases Including Inflation	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

**Total Pension Liability**

The following table represents the changes in the total pension liability for 2017:

<b>Fire Relief and Pension Plan</b>	<b>Increase (Decrease) Total Pension Liability</b>
Balances as of December 31, 2016	\$ 3,218,004
Changes for the year:	
Service cost	0
Interest on total pension liability	116,957
Effect of plan changes	0
Effect of economic/demographic gains or losses	0
Effect of assumptions, changes or inputs	77,612
Benefit payments *	(200,138)
Balances as of December 31, 2017	\$ 3,212,435

\* Benefit payments are estimated based on expected payouts.

**Sensitivity Analysis**

The following table presents the total pension liability of the City, calculated using the discount rate of 3.50%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

<b>1% Decrease 2.50%</b>	<b>Current Discount Rate 3.50%</b>	<b>1% Increase 4.50%</b>
\$3,556,531	\$3,212,435	\$2,919,603

**Pension Expense**

The amount of pension expense recognized by the City for the reporting period is as follows:

<b>Fire Relief and Pension Plan</b>	<b>January 1, 2016 to December 31, 2016</b>	<b>January 1, 2017 to December 31, 2017</b>
Service Cost	N/A	\$ 0
Interest on Total Pension Liability	N/A	116,957
Effect of Plan Changes	N/A	0
Contributions From State Fire Insurance Premium Tax	N/A	(78,078)
Recognition of Deferred Inflows/Outflows of Resources:		
Recognition of Economic/Demographic Gains/Losses	N/A	0
Recognition of Assumption Changes or Inputs	N/A	77,612
Pension Expense	N/A	\$ 116,491

**Deferred Outflows/Inflows of Resources**

As of December 31, 2017, the deferred outflows and inflows of resources are as follows:

Fire Relief and Pension Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Contributions subsequent to the measurement date	0	0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 0</b>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$0
2019	0
2020	0
2021	0
2022	0
Thereafter	0

**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, 2017, there was 1 active member and 51 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		
	12/31/2015	12/31/2016	12/31/2017
1. Annual Normal Costs at beginning of year	\$ 45,656	\$ 45,656	\$ -
2. Amortization of UAAL at beginning of year	2,168,028	2,168,028	1,756,269
3. Interest to end of year	71,945	71,945	61,469
4. ARC at end of year	\$ 2,285,629	\$ 2,285,629	\$ 1,817,738
5. Interest on Net OPEB Obligation	201,873	235,548	295,674
6. Adjustment to ARC	541,686	670,637	844,652
7. Annual OPEB Cost	\$ 1,945,816	\$ 1,850,540	\$ 1,268,760
8. Employer Contributions	909,657	650,332	578,606
9. Change in Net OPEB Obligation	1,036,159	1,200,208	690,154
10. Net OPEB Obligation at beginning of year	6,211,464	7,247,623	8,447,831
11. Net OPEB Obligation at end of year	\$ 7,247,623	\$ 8,447,831	\$ 9,137,985

The net OPEB obligation of \$9,137,985 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 2017, 2016 and 2015 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Contributions as a Percentage of Annual OPEB Cost	Net OPEB Obligation
December 31, 2017	\$ 1,268,760	46%	\$ 9,137,985
December 31, 2016	1,850,540	35%	8,447,831
December 31, 2015	1,945,816	47%	7,247,623

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$17.6 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$17.6 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, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 3.5% 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 7.9% for pre-65 retirees and 7.4% 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 4.5%.

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, 2017 was 12 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, 2017, 261 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, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and 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. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. 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 two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. 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.

**NOTE 13 – CONSTRUCTION COMMITMENTS**

At December 31, 2017, the City had the following contractual obligations on construction projects:

SCHEDULE OF OUTSTANDING CONSTRUCTION OBLIGATIONS  
As of December 31, 2017

	Amount Outstanding
Traffic projects	\$ 1,104,773
Street projects	2,914,429
Utilities projects	814,876
Other projects	69,953
Total commitments	\$ 4,904,030

**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 2017, of the \$16,609 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 2017 cost distribution for the five participating cities is as follows:

	Dispatchable Calls	Percent of Total *
Kent	115,303	26.55%
Renton	87,220	20.09%
Auburn	100,554	23.16%
Tukwila	36,635	8.44%
Federal Way	94,522	21.76%
<b>Total</b>	<b>434,233</b>	<b>100.00%</b>

\* 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	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Equity Dec 31, 2016	\$ 6,314,604	\$ 4,531,544	\$ 4,504,828	\$ 2,391,872	\$ 3,484,567	\$ 21,227,415
Current year change	900,497	681,177	785,309	286,110	738,205	3,391,298
Equity Dec 31, 2017	<u>\$ 7,215,101</u>	<u>\$ 5,212,721</u>	<u>\$ 5,290,137</u>	<u>\$ 2,677,982</u>	<u>\$ 4,222,772</u>	<u>\$ 24,618,713</u>
% of equity	29.31%	21.17%	21.49%	10.88%	17.15%	
% of 2017 distribution	26.55%	20.09%	23.16%	8.44%	21.77%	

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	Total	Auburn	Burien	Federal Way	Renton	SeaTac	Tukwila
			Subsidy		31%	4%	18%	36%	3%	8%
2018	\$ 2,240,000	\$ 4,715,979	\$ (1,512,496)	\$ 5,443,483	\$ 1,687,480	\$ 217,739	\$ 979,827	\$ 1,959,654	\$ 163,304	\$ 435,479
2019	2,310,000	4,602,229	(1,478,317)	5,433,912	1,684,513	217,356	978,104	1,956,208	163,017	434,713
2020	2,385,000	4,484,854	(1,440,560)	5,429,294	1,683,081	217,172	977,273	1,954,546	162,879	434,344
2021	2,465,000	4,363,604	(1,401,577)	5,427,027	1,682,378	217,081	976,865	1,953,730	162,811	434,162
2022	2,590,000	4,233,250	(1,500,618)	5,322,632	1,650,016	212,905	958,074	1,916,148	159,679	425,811
2023-2027	14,485,000	18,727,798	(6,710,481)	26,502,317	8,215,718	1,060,093	4,770,417	9,540,834	795,070	2,120,185
2028-2032	17,725,000	13,590,870	(4,959,695)	26,356,175	8,170,414	1,054,247	4,744,112	9,488,223	790,685	2,108,494
2033-2037	21,855,000	7,082,263	(2,731,829)	26,205,434	8,123,685	1,048,217	4,716,978	9,433,956	786,163	2,096,435
2038-2039	10,115,000	676,321	(353,824)	10,437,497	3,235,624	417,500	1,878,749	3,757,499	313,125	835,000
<b>Totals</b>	<b>\$ 76,170,000</b>	<b>\$ 62,477,168</b>	<b>\$ (22,089,397)</b>	<b>\$ 116,557,771</b>	<b>\$ 36,132,909</b>	<b>\$ 4,662,310</b>	<b>\$ 20,980,399</b>	<b>\$ 41,960,798</b>	<b>\$ 3,496,733</b>	<b>\$ 9,324,623</b>

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, 2017 related to SCORE:

<b>South Correctional Entity (SCORE)</b>					
Member City	Percent of Equity	2016 Equity Balance	2017 Apportionment	2017 Equity Balance	
Auburn	31.00%	\$ 3,115,334	\$ 32,413	\$ 3,147,747	
Burien	3.00%	324,602	22,263	\$ 346,865	
Des Moines	2.00%	166,583	(3,248)	\$ 163,335	
Federal Way	23.00%	2,292,265	61,482	\$ 2,353,747	
Renton	30.00%	2,941,503	74,665	\$ 3,016,168	
SeaTac	4.00%	434,029	22,947	\$ 456,976	
Tukwila	7.00%	703,323	16,099	\$ 719,422	
<b>Grand Totals</b>	<b>100.00%</b>	<b>\$ 9,977,639</b>	<b>\$ 226,621</b>	<b>\$ 10,204,260</b>	

Completed financial statements for SCORE and SCORE PDA can be obtained at SCORE, 20817 17<sup>th</sup> 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 12/31/2016	Additions	Reductions	Balance 12/31/2017
Valley Communication Public Dev Auth	\$ -	\$ -	\$ -	\$ -
SCORE Public Development Authority	23,612,700	-	(694,400)	22,918,300
Due to Other Governments	23,612,700	-	(694,400)	22,918,300
Valley Communications Center	4,504,827	785,310	-	5,290,137
South Correctional Entity (SCORE)	3,115,334	32,413	-	3,147,747
Equity Share	7,620,161	817,723	-	8,437,884
Total Investment in Joint Ventures				<u>\$ 31,356,184</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 2017 Auburn paid \$1,808, 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 2017 were \$123,889. Medical premiums and benefit payments made under the Fire Relief and Pension Plan for 2017 were \$67,052.

## **NOTE 17 – CONTINGENCIES AND LITIGATIONS**

As of December 31, 2017, 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 161 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregate sublimits. 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 coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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, reinsurance 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 become self-insured for worker's compensation in 2014. Contributions are made from the operating funds. At December 31, 2017 fund equity was \$1,595,592.

## **NOTE 19 – TAX ABATEMENTS**

The city offers a multifamily property tax exemption within the downtown core to encourage construction of new multifamily housing, and that the provisions of additional housing opportunities in the downtown core will assist in achieving the goals of the city's comprehensive plan. Under Chapter 84.14 RCW, the city provides the opportunity for a limited, eight-year exemptions from ad valorem property taxation for a qualified new multifamily and rehabilitated multifamily housing constructed in the downtown core and 12-year exemptions from ad valorem property taxation for qualified new affordable multifamily and rehabilitated multifamily housing contracted in the downtown core. Abatements are obtained through application by the property owner, including proof of improvements that have been made, and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements. If application is approved and all requirements meet, exemption begins January 1<sup>st</sup>, of the year immediately following the calendar year of issuance of the final certificate of tax exemption. If at any time it is determined the property no longer complies with the terms of the contract or the requirements, or the use of the property for any reason no longer qualifies for the tax exemption, the tax exemption shall be cancelled and additional taxes, interest and penalties imposed.

The city has the following tax abatement agreement(s) in place as of December 31, 2017.

- 1) Plan A Development LLC, project name Trek Apartments; a four story building of 126 apartment units with outdoor plaza and ground parking and retail space. The final certificate of tax exemption was issued December 3, 2015, with the eight-year ad valorem property tax exemption to start with tax year 2016. The amount of the property tax abated during the fiscal year 2017 was \$39,995.
- 2) Merrill Gardens at Auburn LLC, project name Merrill Gardens; a senior living community with 129 apartment units (114 assisted living units and 15 memory care units). The building is four stories above grade with one level of below grade parking. The final certificate of tax exemption was issued September 14, 2017, with the eight-year ad valorem property tax exemption to start with tax year 2018.

**NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE**

The City of Auburn implemented the second year requirement of Governmental Accounting Standards Board (GASB) Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68*. The Fire Relief and Pension Fund is reported under GASB 73 for financial reporting (recognize a pension liability), note disclosure and supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION  
 Schedule of Proportionate Share of the Net Pension Liability  
 As of June 30, 2017  
 Last 10 Fiscal Years\*

<b>PERS 1</b>	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.192614%	0.194185%	0.192878%
Employer's proportionate share of the net pension liability (asset)	\$ 9,139,685	\$ 10,428,649	\$ 10,089,313
Covered payroll	\$ 181,521	\$ 212,906	\$ 328,015
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	5035.06%	4898.24%	3075.87%
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%
<b>PERS 2/3</b>	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.243488%	0.247760%	0.241739%
Employer's proportionate share of the net pension liability (asset)	\$ 8,460,044	\$ 12,223,580	\$ 8,637,472
Covered payroll	\$ 23,904,107	\$ 22,734,107	\$ 21,460,504
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	35.39%	53.77%	40.25%
Plan fiduciary net position as a percentage of the total pension liability	90.97%	85.82%	89.20%
<b>LEOFF 1</b>	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.102451%	0.101574%	0.103718%
Employer's proportionate share of the net pension liability (asset)	\$ (1,554,407)	\$ (1,046,503)	\$ (1,250,031)
Covered payroll	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	136.00%	123.74%	127.36%
<b>LEOFF 2</b>	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.370954%	0.359661%	0.354511%
Employer's proportionate share of the net pension liability (asset)	\$ (5,147,640)	\$ (2,091,896)	\$ (2,193,486)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (3,339,178)	\$ (1,363,764)	\$ (1,450,178)
Total	\$ (8,486,818)	\$ (3,455,660)	\$ (3,643,664)
Covered payroll	\$ 11,623,292	\$ 10,953,667	\$ 10,336,409
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	-44.29%	-19.10%	-21.22%
Plan fiduciary net position as a percentage of the total pension liability	113.40%	106.04%	111.67%

REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Proportionate Share of the Net Pension Liability  
As of June 30, 2017  
Last 10 Fiscal Years\*

\* The City implemented GASB Statement No. 68 in fiscal year 2015. Information is not available for prior years. The schedule will be built prospectively until it contains ten years of data.

Notes to Schedule:

Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 10.

Contribution and covered payroll on this schedule is based on the plan fiscal year – July 1 – June 30.

The LEOFF 1 plan is closed and has no further covered payroll.



Schedule of Employer Contributions  
As of December 31 2017  
Last 10 Fiscal Years\*

<b>PERS 1</b>	2017	2016	2015
Statutorily or contractually required contributions	\$ 22,545	\$ 20,088	\$ 30,642
Contributions in relation to the statutorily or contractually required contributions	\$ (22,545)	\$ (20,088)	\$ (30,642)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 188,486	\$ 179,680	\$ 306,408
Contributions as a percentage of covered payroll	11.96%	11.18%	10.00%
<b>PERS 2/3</b>	2017	2016	2015
Statutorily or contractually required contributions	\$ 2,908,411	\$ 2,608,360	\$ 2,258,109
Contributions in relation to the statutorily or contractually required contributions	\$ (2,908,411)	\$ (2,608,360)	\$ (2,258,109)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$24,350,435	\$23,330,702	\$22,130,501
Contributions as a percentage of covered payroll	11.94%	11.18%	10.20%
<b>LEOFF 2</b>	2017	2016	2015
Statutorily or contractually required contributions	\$ 639,662	\$ 594,665	\$ 551,812
Contributions in relation to the statutorily or contractually required contributions	\$ (639,662)	\$ (594,665)	\$ (551,812)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$11,992,821	\$11,370,216	\$10,553,437
Contributions as a percentage of covered payroll	5.33%	5.23%	5.23%

\* The City implemented GASB Statement No. 68 in fiscal year 2015. Information is not available for prior years. The schedule will be built prospectively until it contains ten years of data.

Note to Schedule:

Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 10.

REQUIRED SUPPLEMENTARY INFORMATION  
 Schedule of Changes in Total Pension Liability & Related Ratio's  
 Fire Relief and Pension Plan  
 Last 10 Fiscal Years \*

	Fiscal Year Ending December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability - Beginning</b>	<b>\$3,218,004</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Service Cost	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on Total Pension Liability	116,957	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Plan Changes	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Economic/Demographic Gains (Losses)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Assumption Changes or Inputs	77,612	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments	(200,138)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Total Pension Liability</b>	<b>(5,569)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Pension Liability - Ending</b>	<b>\$3,212,435</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Covered Payroll	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Pension Liability as a % of Covered Payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

\* The City implemented GASB Statement No. 73 in fiscal year 2017. Information is not available for prior years. The schedule will be built prospectively until it contains ten years of data.

Notes to Schedule:

No assets have been accumulated in a trust that meets the criteria of a qualified plan.

The effect of assumption changes or inputs is the result of a change in the discount rate from 3.75% as of December 31, 2016 to 3.50% as of December 31, 2017.

Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 10.

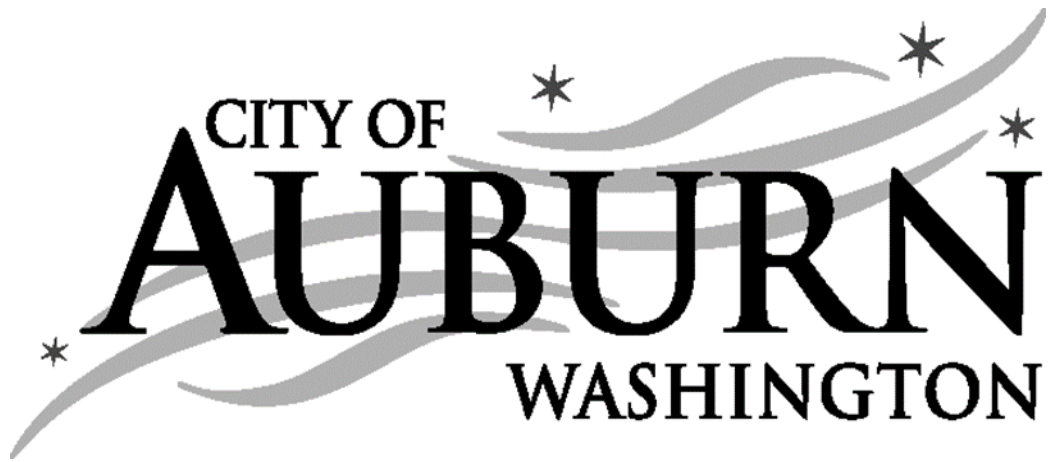
REQUIRED SUPPLEMENTARY INFORMATION  
 Retiree Medical and Long-Term Care Benefits for Firemen's Relief and Pension Plan and LEOFF 1 Employees  
 January 1, 2017

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	-	20,738	20,738	0%	N/A	N/A
January 1, 2011	-	26,482	26,482	0%	N/A	N/A
January 1, 2014	-	26,246	26,246	0%	N/A	N/A
January 1, 2017	-	17,565	17,565	0%	N/A	N/A

**GASB STATEMENT No. 43 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ending 12/31	Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	1,104,259	2,197,396	50%
2013	1,24,809	2,197,396	51%
2014	793,286	2,285,629	35%
2015	909,657	2,285,629	40%
2016	350,332	2,285,629	28%
2017	578,606	1,817,738	32%



## 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**

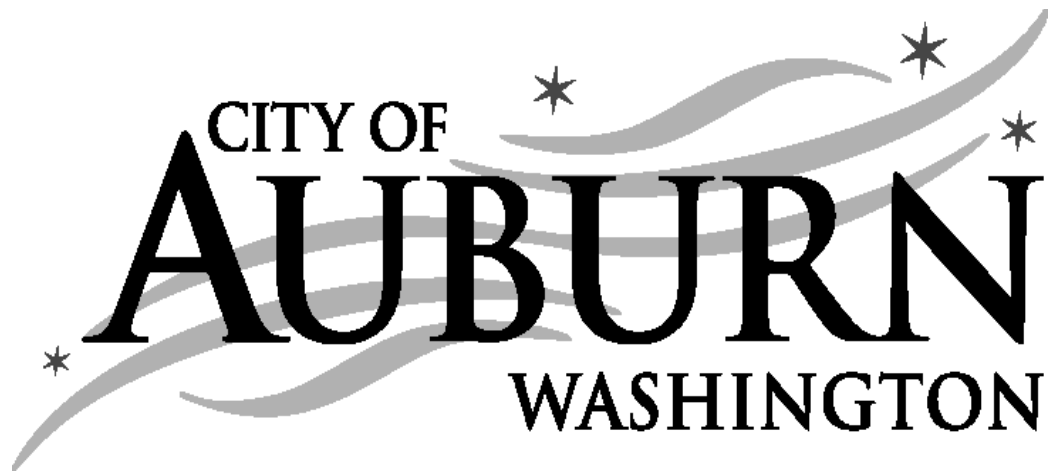
Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs that are for the benefit of the City or its citizens.

City of Auburn, Washington  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENT FUNDS**  
December 31, 2017

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 17,676,790	\$ 21,101	\$ 1,451,550	\$ 1,811,509	\$ 20,960,950
Receivables:					
Customer Accounts	-	-	3,793	-	3,793
Other Receivables	345,829	-	-	-	345,829
Special Assessments	-	7,283	-	-	7,283
Due From Other Governmental Units	180,500	-	-	-	180,500
Total Assets	<u>18,203,119</u>	<u>28,384</u>	<u>1,455,343</u>	<u>1,811,509</u>	<u>21,498,355</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</b>					
Liabilities:					
Current Payables	898,895	-	62,345	-	961,240
Interfund Payable (Note 5)	50,000	-	-	-	50,000
Other Liabilities Payable	36,954	-	-	-	36,954
Total Liabilities	<u>985,849</u>	<u>-</u>	<u>62,345</u>	<u>-</u>	<u>1,048,194</u>
Deferred Inflow of Resources:					
Unavailable Revenue-Special Assessments	-	7,283	-	-	7,283
Total Deferred Inflow of Resources	<u>-</u>	<u>7,283</u>	<u>-</u>	<u>-</u>	<u>7,283</u>
Fund Balances:					
Nonspendable	-	-	-	1,717,134	1,717,134
Restricted	13,730,730	9,686	1,018,032	-	14,758,448
Committed	3,223,108	-	-	-	3,223,108
Assigned	263,432	11,415	374,966	94,375	744,188
Total Fund Balances	<u>17,217,270</u>	<u>21,101</u>	<u>1,392,998</u>	<u>1,811,509</u>	<u>20,442,878</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 18,203,119</u>	<u>\$ 28,384</u>	<u>\$ 1,455,343</u>	<u>\$ 1,811,509</u>	<u>\$ 21,498,355</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, 2017

	Total Nonmajor Special Revenue	Total Nonmajor Debt Service	Total Nonmajor Capital Projects	Total Nonmajor Permanent	Total Nonmajor Governmental
<b>REVENUES:</b>					
Taxes:					
Property	\$ -	\$ -	\$ 138,510	\$ -	\$ 138,510
Retail Sales & Use	2,632,107	259,859	-	-	2,891,966
Interfund Utility	648,609	-	-	-	648,609
Utility	1,458,542	-	-	-	1,458,542
Excise	124,486	-	-	-	124,486
Other	42,535	-	-	-	42,535
Intergovernmental	2,232,220	483,773	75,000	-	2,790,993
Charges for Services	2,640,770	-	9,395	51,091	2,701,256
Special Assessments	-	3,835	-	-	3,835
Investment Earnings	177,486	1,032	14,853	16,609	209,980
Miscellaneous	107,912	1,044	45,030	-	153,986
Total Revenues	<u>10,064,667</u>	<u>749,543</u>	<u>282,788</u>	<u>67,700</u>	<u>11,164,698</u>
<b>EXPENDITURES:</b>					
Current:					
Security of Persons & Property	620,086	-	-	-	620,086
Transportation	7,353,647	-	-	-	7,353,647
Economic Environment	762,139	-	-	-	762,139
Debt Service:					
Principal	-	1,380,108	-	-	1,380,108
Interest	-	1,557,864	-	-	1,557,864
Capital Outlay	-	-	1,217,304	-	1,217,304
Total Expenditures	<u>8,735,872</u>	<u>2,937,972</u>	<u>1,217,304</u>	<u>-</u>	<u>12,891,148</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>1,328,795</u>	<u>(2,188,429)</u>	<u>(934,516)</u>	<u>67,700</u>	<u>(1,726,450)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In (Note 5)	344,915	2,197,585	954,124	-	3,496,624
Transfers Out (Note 5)	<u>(2,032,099)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,032,099)</u>
Total Other Financing Sources (Uses)	<u>(1,687,184)</u>	<u>2,197,585</u>	<u>954,124</u>	<u>-</u>	<u>1,464,525</u>
Net Change in Fund Balances	<u>(358,389)</u>	<u>9,156</u>	<u>19,608</u>	<u>67,700</u>	<u>(261,925)</u>
Fund Balances - Beginning	17,575,659	11,945	1,373,390	1,743,809	20,704,803
Fund Balances - Ending	<u>\$ 17,217,270</u>	<u>\$ 21,101</u>	<u>\$ 1,392,998</u>	<u>\$ 1,811,509</u>	<u>\$ 20,442,878</u>





## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources and are segregated into individual funds to ensure that expenditures are made exclusively for qualified purposes. Special revenue funds are accounted for on a modified accrual basis. Annual budgets are adopted with appropriations lapsing each year of the biennium. The City has 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, 2017

Page 1 of 2

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Housing Community Development
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 3,487,565	\$ 203,003	\$ 1,895,118	\$ 390,381	\$ 65,575
Other Receivables	-	-	345,829	-	-
Due From Other Governmental Units	-	-	7,939	10,605	161,956
Total Assets	<u>3,487,565</u>	<u>203,003</u>	<u>2,248,886</u>	<u>400,986</u>	<u>227,531</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Current Payables	544,215	2,632	209,049	9,137	132,594
Interfund Payable (Note 5)	-	-	-	-	50,000
Other Liabilities Payable	-	-	-	6,795	33
Total Liabilities	<u>544,215</u>	<u>2,632</u>	<u>209,049</u>	<u>15,932</u>	<u>182,627</u>
Fund Balances:					
Restricted	-	200,371	1,557,947	381,136	44,904
Committed	2,766,701	-	456,407	-	-
Assigned	176,649	-	25,483	3,918	-
Total Fund Balances	<u>2,943,350</u>	<u>200,371</u>	<u>2,039,837</u>	<u>385,054</u>	<u>44,904</u>
Total Liabilities and Fund Balances	<u>\$ 3,487,565</u>	<u>\$ 203,003</u>	<u>\$ 2,248,886</u>	<u>\$ 400,986</u>	<u>\$ 227,531</u>

Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ 57,526	\$ 95,741	\$ 11,481,881	\$ 17,676,790
-	-	-	345,829
-	-	-	180,500
<u>57,526</u>	<u>95,741</u>	<u>11,481,881</u>	<u>18,203,119</u>
-	1,268	-	898,895
-	-	-	50,000
-	-	-	6,795
-	-	30,126	30,159
-	1,268	30,126	985,849
57,022	93,710	11,395,640	13,730,730
-	-	-	3,223,108
504	763	56,115	263,432
<u>57,526</u>	<u>94,473</u>	<u>11,451,755</u>	<u>17,217,270</u>
<u>\$ 57,526</u>	<u>\$ 95,741</u>	<u>\$ 11,481,881</u>	<u>\$ 18,203,119</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, 2017

	Local Streets	Hotel/ Motel Tax	Arterial Street Preservation	Drug Forfeiture	Housing Community Development
<b>REVENUES:</b>					
Taxes:					
Retail Sales & Use	\$ 2,632,107	\$ -	\$ -	\$ -	\$ -
Interfund Utility	-	-	648,609	-	-
Utility	-	-	1,458,542	-	-
Excise	-	124,486	-	-	-
Other	-	-	-	-	-
Intergovernmental	-	-	1,557,947	13,230	653,843
Charges for Services	-	-	-	26,628	-
Investment Earnings	32,475	1,738	25,483	3,918	-
Miscellaneous	-	-	-	107,912	-
<b>Total Revenues</b>	<u>2,664,582</u>	<u>126,224</u>	<u>3,690,581</u>	<u>151,688</u>	<u>653,843</u>
<b>EXPENDITURES:</b>					
Current:					
Security of Persons and Property	-	-	-	220,086	-
Transportation	2,290,133	-	5,063,514	-	-
Economic Environment	-	100,999	-	-	653,843
<b>Total Expenditures</b>	<u>2,290,133</u>	<u>100,999</u>	<u>5,063,514</u>	<u>220,086</u>	<u>653,843</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>374,449</u>	<u>25,225</u>	<u>(1,372,933)</u>	<u>(68,398)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In (Note 5)	150,000	-	194,915	-	-
Transfers Out (Note 5)	(5,826)	(5,000)	(51,776)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>144,174</u>	<u>(5,000)</u>	<u>143,139</u>	<u>-</u>	<u>-</u>
 Net Change in Fund Balances	 <u>518,623</u>	 <u>20,225</u>	 <u>(1,229,794)</u>	 <u>(68,398)</u>	 <u>-</u>
Fund Balances - Beginning	2,424,727	180,146	3,269,631	453,452	44,904
<b>Fund Balances - Ending</b>	<u>\$ 2,943,350</u>	<u>\$ 200,371</u>	<u>\$ 2,039,837</u>	<u>\$ 385,054</u>	<u>\$ 44,904</u>

Recreational Trails	Business Improvement Area	Mitigation Fees	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 2,632,107
-	-	-	648,609
-	-	-	1,458,542
-	-	-	124,486
-	42,535	-	42,535
7,200	-	-	2,232,220
-	-	2,614,142	2,640,770
504	763	112,605	177,486
-	-	-	107,912
<u>7,704</u>	<u>43,298</u>	<u>2,726,747</u>	<u>10,064,667</u>
-	-	400,000	620,086
-	-	-	7,353,647
-	7,297	-	762,139
<u>-</u>	<u>7,297</u>	<u>400,000</u>	<u>8,735,872</u>
<u>7,704</u>	<u>36,001</u>	<u>2,326,747</u>	<u>1,328,795</u>
-	-	-	344,915
-	-	(1,969,497)	(2,032,099)
<u>-</u>	<u>-</u>	<u>(1,969,497)</u>	<u>(1,687,184)</u>
<u>7,704</u>	<u>36,001</u>	<u>357,250</u>	<u>(358,389)</u>
<u>49,822</u>	<u>58,472</u>	<u>11,094,505</u>	<u>17,575,659</u>
<u>\$ 57,526</u>	<u>\$ 94,473</u>	<u>\$ 11,451,755</u>	<u>\$ 17,217,270</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,750,000	\$ 1,750,000	\$ 2,632,107	\$ 882,107
Investment Earnings	9,100	9,100	32,475	23,375
Total Revenues	<u>1,759,100</u>	<u>1,759,100</u>	<u>2,664,582</u>	<u>905,482</u>
<b>EXPENDITURES:</b>				
Current:				
Transportation	2,417,173	3,120,142	2,290,133	830,009
Total Expenditures	<u>2,417,173</u>	<u>3,120,142</u>	<u>2,290,133</u>	<u>830,009</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(658,073)</u>	<u>(1,361,042)</u>	<u>374,449</u>	<u>1,735,491</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	150,000	150,000	150,000	-
Transfers Out (Note 5)	(666)	(11,051)	(5,826)	5,225
Total Other Financing Sources (Uses)	<u>149,334</u>	<u>138,949</u>	<u>144,174</u>	<u>5,225</u>
Net Change in Fund Balances	<u>(508,739)</u>	<u>(1,222,093)</u>	<u>518,623</u>	<u>1,740,716</u>
Fund Balances - Beginning	1,401,882	2,424,727	2,424,727	-
Fund Balances - Ending	<u>\$ 893,143</u>	<u>\$ 1,202,634</u>	<u>\$ 2,943,350</u>	<u>\$ 1,740,716</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Excise	\$ 110,000	\$ 110,000	\$ 124,486	\$ 14,486
Investment Earnings	400	400	1,738	1,338
Total Revenues	<u>110,400</u>	<u>110,400</u>	<u>126,224</u>	<u>15,824</u>
<b>EXPENDITURES:</b>				
Current:				
Economic Environment	100,400	141,000	100,999	40,001
Total Expenditures	<u>100,400</u>	<u>141,000</u>	<u>100,999</u>	<u>40,001</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>10,000</u>	<u>(30,600)</u>	<u>25,225</u>	<u>55,825</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out (Note 5)	(10,000)	(5,000)	(5,000)	-
Total Other Financing sources and Uses	<u>(10,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net Change in fund Balances	<u>-</u>	<u>(35,600)</u>	<u>20,225</u>	<u>55,825</u>
Fund Balances - Beginning	84,044	180,146	180,146	-
Fund Balances - Ending	<u>\$ 84,044</u>	<u>\$ 144,546</u>	<u>\$ 200,371</u>	<u>\$ 55,825</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Interfund Utility	\$ 632,300	\$ 632,300	\$ 648,609	\$ 16,309
Utility	1,416,300	1,416,300	1,458,542	42,242
Intergovernmental	1,402,100	2,354,398	1,557,947	(796,451)
Investment Earnings	4,900	4,900	25,483	20,583
Total Revenues	<u>3,455,600</u>	<u>4,407,898</u>	<u>3,690,581</u>	<u>(717,317)</u>
<b>EXPENDITURES:</b>				
Current:				
Transportation	<u>4,768,470</u>	<u>7,439,019</u>	<u>5,063,514</u>	<u>2,375,505</u>
Total Expenditures	<u>4,768,470</u>	<u>7,439,019</u>	<u>5,063,514</u>	<u>2,375,505</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,312,870)</u>	<u>(3,031,121)</u>	<u>(1,372,933)</u>	<u>1,658,188</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	300,000	431,750	194,915	(236,835)
Transfers Out (Note 5)	-	(56,535)	(51,776)	4,759
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>375,215</u>	<u>143,139</u>	<u>(232,076)</u>
Net Change in Fund Balances	<u>(1,012,870)</u>	<u>(2,655,906)</u>	<u>(1,229,794)</u>	<u>1,426,112</u>
Fund Balances - Beginning	<u>1,378,878</u>	<u>3,269,631</u>	<u>3,269,631</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 366,008</u>	<u>\$ 613,725</u>	<u>\$ 2,039,837</u>	<u>\$ 1,426,112</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Intergovernmental	\$ 17,000	\$ 17,000	\$ 13,230	\$ (3,770)
Charges for Services	14,000	14,000	26,628	12,628
Investment Earnings	1,100	1,100	3,918	2,818
Miscellaneous	55,000	55,000	107,912	52,912
Total Revenues	<u>87,100</u>	<u>87,100</u>	<u>151,688</u>	<u>64,588</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons & Property	251,016	251,016	220,086	30,930
Total Expenditures	<u>251,016</u>	<u>251,016</u>	<u>220,086</u>	<u>30,930</u>
<b>Excess (Deficiency of Revenues Over (Under) Expenditures</b>	<u>(163,916)</u>	<u>(163,916)</u>	<u>(68,398)</u>	<u>95,518</u>
Net Change in Fund Balances	<u>(163,916)</u>	<u>(163,916)</u>	<u>(68,398)</u>	<u>95,518</u>
Fund Balances - Beginning	357,897	453,452	453,452	-
Fund Balances - Ending	<u>\$ 193,981</u>	<u>\$ 289,536</u>	<u>\$ 385,054</u>	<u>\$ 95,518</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Intergovernmental	\$ 710,000	\$ 850,000	\$ 653,843	\$ (196,157)
Total Revenues	<u>710,000</u>	<u>850,000</u>	<u>653,843</u>	<u>(196,157)</u>
<b>EXPENDITURES:</b>				
Current:				
Economic Environment	712,450	852,450	653,843	198,607
Total Expenditures	<u>712,450</u>	<u>852,450</u>	<u>653,843</u>	<u>198,607</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,450)</u>	<u>(2,450)</u>	<u>-</u>	<u>2,450</u>
Net Change in Fund Balances	<u>(2,450)</u>	<u>(2,450)</u>	<u>-</u>	<u>2,450</u>
Fund Balances - Beginning	54,905	44,904	44,904	-
Fund Balances - Ending	<u>\$ 52,455</u>	<u>\$ 42,454</u>	<u>\$ 44,904</u>	<u>\$ 2,450</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Intergovernmental	\$ 7,200	\$ 7,200	\$ 7,200	\$ -
Investment Earnings	140	140	504	364
Total Revenues	<u>7,340</u>	<u>7,340</u>	<u>7,704</u>	<u>364</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>7,340</u>	<u>7,340</u>	<u>7,704</u>	<u>364</u>
Net Change in Fund Balances	<u>7,340</u>	<u>7,340</u>	<u>7,704</u>	<u>364</u>
Fund Balances - Beginning	<u>49,658</u>	<u>49,822</u>	<u>49,822</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 56,998</u>	<u>\$ 57,162</u>	<u>\$ 57,526</u>	<u>\$ 364</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Taxes:				
Other	\$ 55,000	\$ 55,000	\$ 42,535	\$ (12,465)
Investment Earnings	200	200	763	563
Total Revenues	<u>55,200</u>	<u>55,200</u>	<u>43,298</u>	<u>(11,902)</u>
<b>EXPENDITURES:</b>				
Current:				
Economic Environment	55,000	55,000	7,297	47,703
Total Expenditures	<u>55,000</u>	<u>55,000</u>	<u>7,297</u>	<u>47,703</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>200</u>	<u>200</u>	<u>36,001</u>	<u>35,801</u>
Net Change in Fund Balances	<u>200</u>	<u>200</u>	<u>36,001</u>	<u>35,801</u>
Fund Balances - Beginning	48,516	58,472	58,472	-
Fund Balances - Ending	<u>\$ 48,716</u>	<u>\$ 58,672</u>	<u>\$ 94,473</u>	<u>\$ 35,801</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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Investment Earnings	\$ 20,500	\$ 20,500	\$ 89,375	\$ 68,875
Total Revenues	<u>20,500</u>	<u>20,500</u>	<u>89,375</u>	<u>68,875</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>20,500</u>	<u>20,500</u>	<u>89,375</u>	<u>68,875</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	-	1,000,000	1,000,000	-
Transfers Out (Note 5)	(200,000)	(242,138)	-	242,138
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>757,862</u>	<u>1,000,000</u>	<u>242,138</u>
Net Change in Fund Balances	<u>(179,500)</u>	<u>778,362</u>	<u>1,089,375</u>	<u>311,013</u>
Fund Balances - Beginning	7,546,199	8,709,937	8,709,937	-
Fund Balances - Ending	<u>\$ 7,366,699</u>	<u>\$ 9,488,299</u>	<u>\$ 9,799,312</u>	<u>\$ 311,013</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	(9,799,312)
Fund Balance - Ending (GAAP)	<u>\$ -</u>

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, 2017

	Budget Amounts		Actual Results	Variance with Final Budget Positive (Negative)
	Original (GAAP Basis)	Final Adopted (GAAP Basis)		
<b>REVENUES:</b>				
Charges for Services	\$ 1,512,000	\$ 1,582,000	\$ 2,614,142	\$ 1,032,142
Investment Earnings	8,200	8,200	112,605	104,405
Total Revenues	<u>1,520,200</u>	<u>1,590,200</u>	<u>2,726,747</u>	<u>1,136,547</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Person & Property	50,000	400,000	400,000	-
Total Expenditures	<u>50,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,470,200</u>	<u>1,190,200</u>	<u>2,326,747</u>	<u>1,136,547</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In (Note 5)	-	400,000	-	(400,000)
Transfers Out (Note 5)	(1,315,081)	(3,938,042)	(1,969,497)	1,968,545
Total Other Financing Sources (Uses)	<u>(1,315,081)</u>	<u>(3,538,042)</u>	<u>(1,969,497)</u>	<u>1,568,545</u>
Net Change in Fund Balances	<u>155,119</u>	<u>(2,347,842)</u>	<u>357,250</u>	<u>2,705,092</u>
Fund Balances - Beginning	4,274,362	11,094,505	11,094,505	-
Fund Balances - Ending	<u>\$ 4,429,481</u>	<u>\$ 8,746,663</u>	<u>\$ 11,451,755</u>	<u>\$ 2,705,092</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 2016 General Obligation Bonds**

Accounts for the debt service on a Council-approved bond issue to refund on a current basis the 2005 General Obligation Refunding Airport Bonds and refunding on an advance basis the 2006A General Obligation Bonds for Golf and Cemetery.

#### **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.

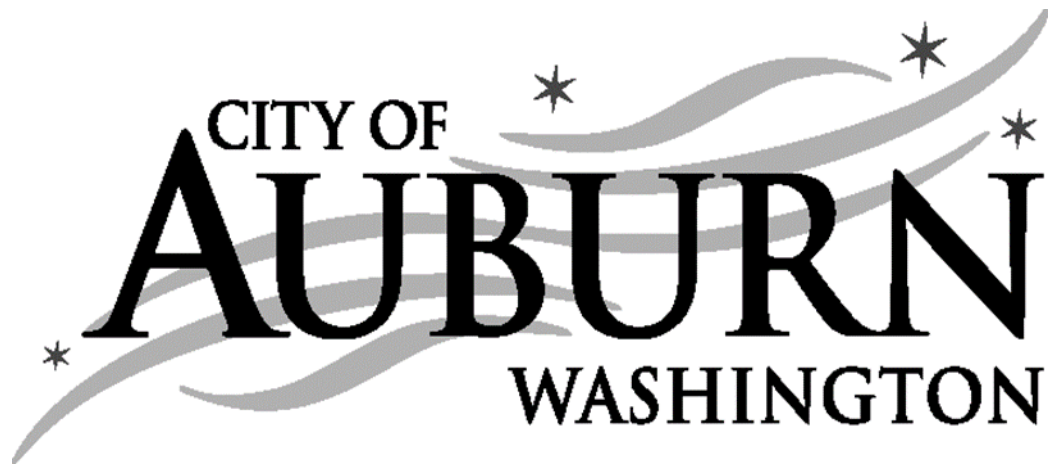
City of Auburn, Washington  
**COMBINING BALANCE SHEET**  
**NON-MAJOR DEBT SERVICE FUNDS**  
December 31, 2017

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	2016 Combined Refunding Golf/Cemetery	LID Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ -	\$ -	\$ 11,396	\$ 19	\$ 1,603	\$ 8,083	\$ 21,101
Receivables:							
Special Assessments	-	-	-	-	-	7,283	7,283
Total Assets	-	-	11,396	19	1,603	15,366	28,384
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</b>							
Deferred Inflows of Resources:							
Unavailable Revenue - Special Assessments	-	-	-	-	-	7,283	7,283
Total Deferred Inflows of Resources	-	-	-	-	-	7,283	7,283
Fund Balances:							
Restricted	-	-	-	-	1,603	8,083	9,686
Assigned	-	-	11,396	19	-	-	11,415
Total Fund Balances	-	-	11,396	19	1,603	8,083	21,101
Total Liabilities, Deferred Inflows and Fund Balances	\$ -	\$ -	\$ 11,396	\$ 19	\$ 1,603	\$ 15,366	\$ 28,384



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, 2017

	GO Library Refunding Bond Debt	2010 A & B Annex	2010 C & D Local Revitalization	2016 Combined Refunding Golf/Cemetery	L I D Guarantee	Special Assessments	Total Nonmajor Debt Service Funds
<b>REVENUES:</b>							
Taxes:							
Retail Sales & Use	\$ -	\$ -	\$ 259,859	\$ -	\$ -	\$ -	\$ 259,859
Special Assessments	-	-	-	-	-	3,835	3,835
Intergovernmental	-	366,581	117,192	-	-	-	483,773
Investment Earnings	-	-	906	19	15	92	1,032
Miscellaneous	-	-	-	-	-	1,044	1,044
Total Revenues	-	366,581	377,957	19	15	4,971	749,543
<b>EXPENDITURES:</b>							
Debt Service:							
Principal	260,000	560,000	230,000	323,849	-	6,259	1,380,108
Interest	23,850	1,123,191	359,071	50,766	-	986	1,557,864
Total Expenditures	283,850	1,683,191	589,071	374,615	-	7,245	2,937,972
Excess (Deficiency) of Revenues Over (Under) Expenditures	(283,850)	(1,316,610)	(211,114)	(374,596)	15	(2,274)	(2,188,429)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In (Note 5)	283,850	1,316,610	222,510	374,615	-	-	2,197,585
Total Other Financing Sources (Uses)	283,850	1,316,610	222,510	374,615	-	-	2,197,585
Net Change in Fund Balances	-	-	11,396	19	15	(2,274)	9,156
Fund Balances - Beginning	-	-	-	-	1,588	10,357	11,945
Fund Balances - Ending	\$ -	\$ -	\$ 11,396	\$ 19	\$ 1,603	\$ 8,083	\$ 21,101



## 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**

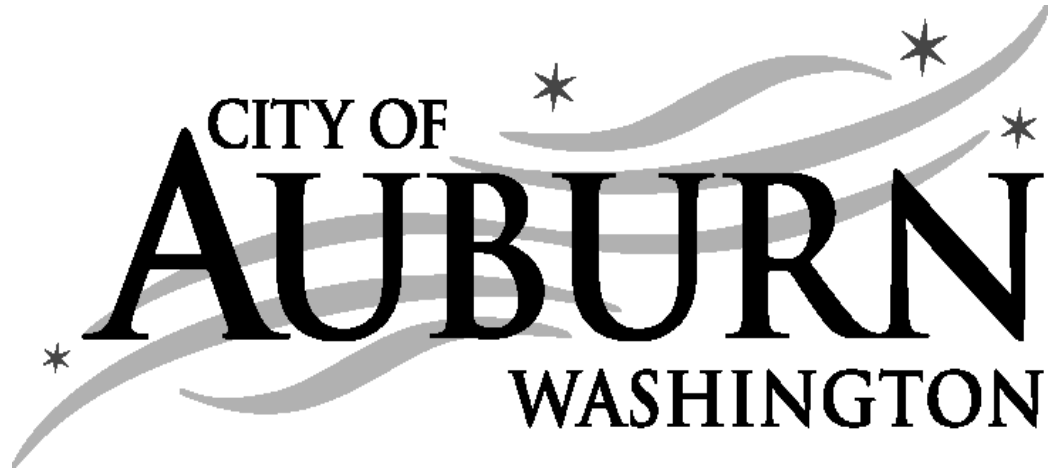
Accounts for the City Hall Plaza and the Downtown Promenade project.

City of Auburn, Washington  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECT FUNDS**  
December 31, 2017

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,076,584	\$ 374,966	\$ 1,451,550
Receivables:			
Customer Accounts	3,793	-	3,793
Total Assets	<u>1,080,377</u>	<u>374,966</u>	<u>1,455,343</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Payables	62,345	-	62,345
Total Liabilities	<u>62,345</u>	<u>-</u>	<u>62,345</u>
Fund Balances:			
Restricted	1,018,032	-	1,018,032
Assigned	-	374,966	374,966
Total Fund Balances	<u>1,018,032</u>	<u>374,966</u>	<u>1,392,998</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,080,377</u>	 <u>\$ 374,966</u>	 <u>\$ 1,455,343</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUNDS**  
For the Year Ended December 31, 2017

	Municipal Park Construction	Local Revitalization	Nonmajor Capital Project Funds
<b>REVENUES:</b>			
Taxes:			
Property	\$ 138,510	\$ -	\$ 138,510
Intergovernmental	75,000	-	75,000
Charges for Services	9,395	-	9,395
Investment Earnings	11,350	3,503	14,853
Miscellaneous	45,030	-	45,030
Total Revenues	<u>279,285</u>	<u>3,503</u>	<u>282,788</u>
<b>EXPENDITURES:</b>			
Capital Outlay	<u>1,198,277</u>	<u>19,027</u>	<u>1,217,304</u>
Total Expenditures	<u>1,198,277</u>	<u>19,027</u>	<u>1,217,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(918,992)</u>	<u>(15,524)</u>	<u>(934,516)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In (Note 5)	<u>954,124</u>	-	<u>954,124</u>
Total Other Financing Sources (Uses)	<u>954,124</u>	-	<u>954,124</u>
Net Change in Fund Balances	<u>35,132</u>	<u>(15,524)</u>	<u>19,608</u>
Fund Balances - Beginning	<u>982,900</u>	<u>390,490</u>	<u>1,373,390</u>
Fund Balances - Ending	<u>\$ 1,018,032</u>	<u>\$ 374,966</u>	<u>\$ 1,392,998</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.

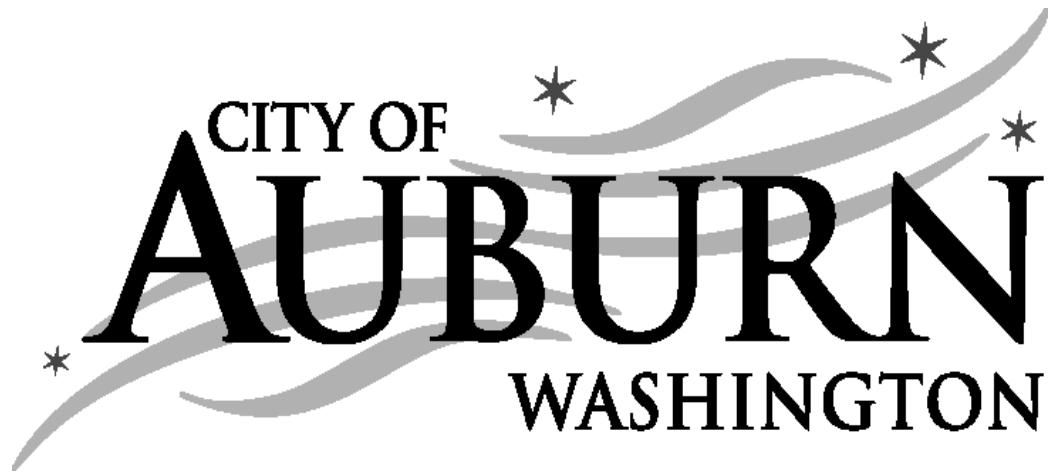
City of Auburn, Washington  
**BALANCE SHEET**  
**PERMANENT FUND**  
 December 31, 2017

	Cemetery Endowed Care
<hr/>	
<b>ASSETS:</b>	
Cash and Cash Equivalents	
Non-Expendable Trust	\$ 1,811,509
Total Assets	<u>1,811,509</u>
<b>LIABILITIES AND FUND BALANCES:</b>	
<b>FUND BALANCES:</b>	
Nonspendable	1,717,134
Assigned	<u>94,375</u>
Total Fund Balances	<u>1,811,509</u>
Total Liabilities and Fund Balances	<u>\$ 1,811,509</u>



City of Auburn, Washington  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**PERMANENT FUND**  
 For the Year Ended December 31, 2017

		Cemetery Endowed Care
<hr/>		
<b>REVENUES:</b>		
Increase to Endowment from Lot Sales	\$	51,091
Investment Earnings		16,609
Total Revenues		<u>67,700</u>
 <b>EXPENDITURES:</b>		
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>67,700</u>
 Net Change in Fund Balance		<u>67,700</u>
Fund Balance - Beginning		<u>1,743,809</u>
Fund Balance - Ending	\$	<u><u>1,811,509</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, 2017

	Airport	Cemetery	Total Nonmajor Enterprise Funds
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 957,861	\$ 815,585	\$ 1,773,446
Restricted Cash:			
Customer Deposits	89,180	-	89,180
Customer Accounts	6,982	-	6,982
Due From Other Governmental Units	13,990	-	13,990
Inventories	-	8,500	8,500
Total Current Assets	<u>1,068,013</u>	<u>824,085</u>	<u>1,892,098</u>
Noncurrent Assets:			
Capital Assets:			
Land	3,653,343	342,836	3,996,179
Buildings and Equipments	3,042,254	1,022,267	4,064,521
Improvements Other Than Buildings	9,907,670	1,175,259	11,082,929
Construction in Progress	318,488	-	318,488
Less: Accumulated Depreciation	<u>(7,594,183)</u>	<u>(1,565,240)</u>	<u>(9,159,423)</u>
Total Capital Assets (Net of A/D)	<u>9,327,572</u>	<u>975,122</u>	<u>10,302,694</u>
Total Noncurrent Assets	<u>9,327,572</u>	<u>975,122</u>	<u>10,302,694</u>
Total Assets	<u>10,395,585</u>	<u>1,799,207</u>	<u>12,194,792</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Outflow from Bond Refunding	21,837	-	21,837
Deferred Outflow Related to Pensions	4,454	46,184	50,638
	<u>26,291</u>	<u>46,184</u>	<u>72,475</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Current Payables	118,852	50,260	169,112
Interfund Payables	93,782	-	93,782
Employee Leave Benefits - Current	-	18,464	18,464
General Obligation Bonds Payable - Current	176,401	-	176,401
Customer Deposits	<u>88,407</u>	<u>-</u>	<u>88,407</u>
Total Current Liabilities	<u>477,442</u>	<u>68,724</u>	<u>546,166</u>
Noncurrent Liabilities:			
Employee Leave Benefits	-	5,576	5,576
General Obligation Bonds Payable	186,421	-	186,421
Net Pension Liability	<u>14,493</u>	<u>157,176</u>	<u>171,669</u>
Total Noncurrent Liabilities	<u>200,914</u>	<u>162,752</u>	<u>363,666</u>
Total Liabilities	<u>678,356</u>	<u>231,476</u>	<u>909,832</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflow Related to Pensions	<u>(82)</u>	<u>39,194</u>	<u>39,112</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	8,964,750	975,122	9,939,872
Unrestricted	<u>778,852</u>	<u>599,599</u>	<u>1,378,451</u>
Total Net Position	<u>\$ 9,743,602</u>	<u>\$ 1,574,721</u>	<u>\$ 11,318,323</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, 2017

	Airport	Cemetery	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 70,750	\$ 1,336,570	\$ 1,407,320
Other Operating Revenue	804,040	-	804,040
Total Operating Revenues	<u>874,790</u>	<u>1,336,570</u>	<u>2,211,360</u>
<b>OPERATING EXPENSES:</b>			
Operations & Maintenance	412,580	788,429	1,201,009
Administration	67,284	291,025	358,309
Depreciation/Amortization	462,843	47,383	510,226
Other Operating Expenses	505	15,749	16,254
Total Operating Expenses	<u>943,212</u>	<u>1,142,586</u>	<u>2,085,798</u>
Operating Income (Loss)	<u>(68,422)</u>	<u>193,984</u>	<u>125,562</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>			
Interest Revenue	9,829	6,727	16,556
Other Non-Operating Revenues	33,901	-	33,901
Other Non-Operating Expenses	<u>(20,759)</u>	<u>-</u>	<u>(20,759)</u>
Total Non-Operating Revenue (Expense)	<u>22,971</u>	<u>6,727</u>	<u>29,698</u>
Income (Loss) Before Contributions & Transfers	<u>(45,451)</u>	<u>200,711</u>	<u>155,260</u>
Transfers In (Note 5)	<u>274,937</u>	<u>-</u>	<u>274,937</u>
Transfers Out (Note 5)	<u>-</u>	<u>(400)</u>	<u>(400)</u>
Change in Net Position	<u>229,486</u>	<u>200,311</u>	<u>429,797</u>
Net Position, January 1	<u>9,514,116</u>	<u>1,374,410</u>	<u>10,888,526</u>
Net Position, December 31	<u>\$ 9,743,602</u>	<u>\$ 1,574,721</u>	<u>\$ 11,318,323</u>

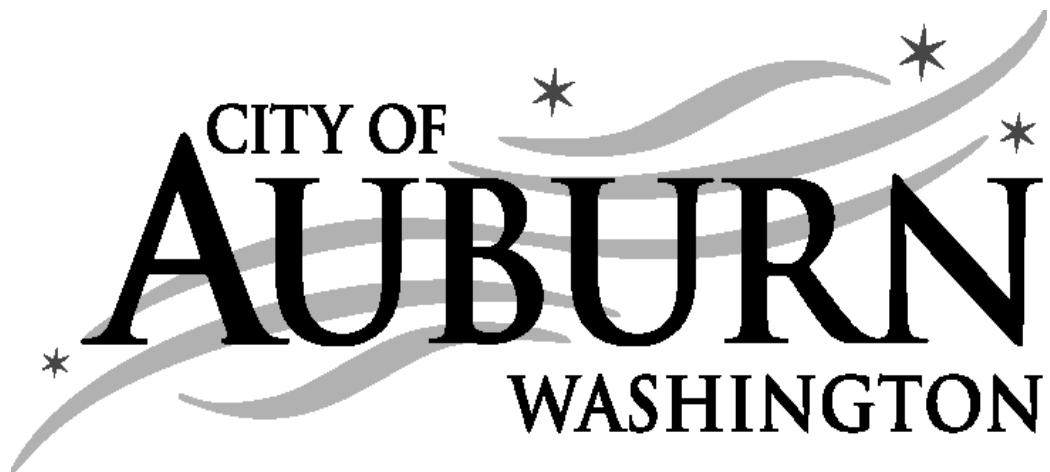
City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
 For the Fiscal Year Ended December 31, 2017

	Airport	Cemetery	Total Non Major Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received From Users	\$ 876,179	\$ 1,336,570	\$ 2,212,749
Cash Paid to Suppliers for Goods & Services	(411,559)	(401,320)	(812,879)
Cash Paid for Taxes	(552)	(15,750)	(16,302)
Cash Paid to Employees	(1,378)	(720,026)	(721,404)
Other Non-Operating Revenue	13,740	-	13,740
Net Cash Provided (Used) By Operating Activities	<u>476,430</u>	<u>199,474</u>	<u>675,904</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund Loan Payable	(39,900)	-	(39,900)
Operating Grant Received	20,161	-	20,161
Transfers from Other Funds	274,937	-	274,937
Operating Transfers Out	-	(400)	(400)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>255,198</u>	<u>(400)</u>	<u>254,798</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets	(398,059)	-	(398,059)
Capital Grant	20,887	-	20,887
Premium & Bond Issuance Costs	10,918	-	10,918
Principal Payment on Debt	(171,023)	-	(171,023)
Interest Payment on Debt	(20,759)	-	(20,759)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(558,036)</u>	<u>-</u>	<u>(558,036)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Interest Received	<u>9,829</u>	<u>6,727</u>	<u>16,556</u>
Net Cash Provided (Used) in Investing Activities	<u>9,829</u>	<u>6,727</u>	<u>16,556</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>183,421</u>	<u>205,801</u>	<u>389,222</u>
Cash and Cash Equivalents - Beginning of Year	<u>863,620</u>	<u>609,784</u>	<u>1,473,404</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,047,041</u>	<u>\$ 815,585</u>	<u>\$ 1,862,626</u>
<b>CASH AT END OF YEAR CONSISTS OF:</b>			
Cash and Cash Equivalents	957,861	815,585	1,773,446
Restricted Cash - Customer Deposits	<u>89,180</u>	<u>-</u>	<u>89,180</u>
Total Cash	<u>\$ 1,047,041</u>	<u>\$ 815,585</u>	<u>\$ 1,862,626</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
For the Fiscal Year Ended December 31, 2017

Page 2 of 2

	Airport	Cemetery	Total Non Major Enterprise Funds
<b>RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (68,422)	\$ 193,984	\$ 125,562
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Depreciation	462,843	47,383	510,226
Other Non-Operating Revenue	13,740	-	13,740
Asset (Increases) Decreases:			
Accounts Receivable	(6,982)	-	(6,982)
Inventory	-	(505)	(505)
Liability Increases (Decreases):			
Accounts & Vouchers Payable	71,777	(17,482)	54,295
Deposits Payable	8,371	-	8,371
Wages & Benefits Payable	(1,378)	(21,831)	(23,209)
Compensated Absences Payable	(3,519)	(2,075)	(5,594)
Total Adjustments	<u>544,852</u>	<u>5,490</u>	<u>550,342</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 476,430</u>	<u>\$ 199,474</u>	<u>\$ 675,904</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
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, 2017

	Workers Comp Insurance	Self Insurance	Facilities	Information Services	Equipment Rental	Total
<b>ASSETS:</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 2,015,648	\$ 1,631,041	\$ 1,965,515	\$ 3,866,232	\$ 6,659,283	\$ 16,137,719
Customer Accounts	-	-	16,685	-	-	16,685
Due From Other Governmental Units	-	-	15	6,196	-	6,211
Inventories	-	-	-	-	242,217	242,217
Total Current Assets	<u>2,015,648</u>	<u>1,631,041</u>	<u>1,982,215</u>	<u>3,872,428</u>	<u>6,901,500</u>	<u>16,402,832</u>
Capital Assets:						
Buildings and Equipment	-	-	-	8,279,035	16,772,459	25,051,494
Improvements Other than Buildings	-	-	-	7,497	109,661	117,158
Construction in Progress	-	-	-	64,421	44,627	109,048
Less: Accumulated Depreciation	-	-	-	(6,895,423)	(10,068,421)	(16,963,844)
Total Capital Assets (Net of A/D)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,455,530</u>	<u>6,858,326</u>	<u>8,313,856</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,455,530</u>	<u>6,858,326</u>	<u>8,313,856</u>
Total Assets	<u>2,015,648</u>	<u>1,631,041</u>	<u>1,982,215</u>	<u>5,327,958</u>	<u>13,759,826</u>	<u>24,716,688</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Deferred Outflow Related to Pensions	<u>-</u>	<u>7,829</u>	<u>73,518</u>	<u>163,464</u>	<u>65,645</u>	<u>310,456</u>
<b>LIABILITIES:</b>						
Current Liabilities:						
Current Payables	148	5,922	240,290	230,327	295,273	771,960
Customer Deposits	-	-	300	-	-	300
Employee Leave Benefits - Current	-	5,087	69,193	111,724	23,414	209,418
Other Liabilities Payable	-	-	-	-	41,608	41,608
Total Current Liabilities	<u>148</u>	<u>11,009</u>	<u>309,783</u>	<u>342,051</u>	<u>360,295</u>	<u>1,023,286</u>
Noncurrent Liabilities						
Employee Leave Benefits	-	1,536	20,897	33,742	7,071	63,246
Other LT Liabilities Payable	-	-	-	-	67,861	67,861
Net Pension Liability	-	23,599	217,525	471,592	1,177,640	1,890,356
Total Noncurrent Liabilities	<u>-</u>	<u>25,135</u>	<u>238,422</u>	<u>505,334</u>	<u>1,252,572</u>	<u>2,021,463</u>
Total Liabilities	<u>148</u>	<u>36,144</u>	<u>548,205</u>	<u>847,385</u>	<u>1,612,867</u>	<u>3,044,749</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred Inflow Related to Pensions	<u>-</u>	<u>7,134</u>	<u>55,233</u>	<u>162,796</u>	<u>111,858</u>	<u>337,021</u>
<b>NET POSITION:</b>						
Net Investment in Capital Assets	-	-	-	1,455,530	6,748,857	8,204,387
Unrestricted	<u>2,015,500</u>	<u>1,595,592</u>	<u>1,452,295</u>	<u>3,025,711</u>	<u>5,351,889</u>	<u>13,440,987</u>
Total Net Position	<u>\$ 2,015,500</u>	<u>\$ 1,595,592</u>	<u>\$ 1,452,295</u>	<u>\$ 4,481,241</u>	<u>\$ 12,100,746</u>	<u>\$ 21,645,374</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2017

	Insurance	Workers Comp Self Insurance	Facilities	Information Services	Equipment Rental	Total
<b>OPERATING REVENUES:</b>						
Charges for Services	\$ -	\$ 941,648	\$ 3,374,196	\$ 5,973,721	\$ 3,985,495	\$ 14,275,060
Other Operating Revenue	-	-	110,838	92,023	-	202,861
Total Operating Revenues	<u>-</u>	<u>941,648</u>	<u>3,485,034</u>	<u>6,065,744</u>	<u>3,985,495</u>	<u>14,477,921</u>
<b>OPERATING EXPENSES:</b>						
Operations & Maintenance	-	423,759	2,752,306	5,541,241	1,440,699	10,158,005
Administration	52,546	-	-	-	809,345	861,891
Depreciation/Amortization	-	-	-	680,431	1,182,134	1,862,565
Total Operating Expenses	<u>52,546</u>	<u>423,759</u>	<u>2,752,306</u>	<u>6,221,672</u>	<u>3,432,178</u>	<u>12,882,461</u>
Operating Income (Loss)	<u>(52,546)</u>	<u>517,889</u>	<u>732,728</u>	<u>(155,928)</u>	<u>553,317</u>	<u>1,595,460</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>						
Interest Revenue	11,646	13,175	19,817	33,166	57,943	135,747
Other Non-Operating Revenues	-	-	57,928	-	84,109	142,037
Gain (Loss) on Sale of Capital Assets	-	-	-	-	16,512	16,512
Interest Expense	-	-	-	-	(3,580)	(3,580)
Total Non-Operating Revenue (Expense)	<u>11,646</u>	<u>13,175</u>	<u>77,745</u>	<u>33,166</u>	<u>154,984</u>	<u>290,716</u>
Income (Loss) Before Contributions	<u>(40,900)</u>	<u>531,064</u>	<u>810,473</u>	<u>(122,762)</u>	<u>708,301</u>	<u>1,886,176</u>
Transfers In (Note 5)	670,715	-	-	368,953	472,032	1,511,700
Transfers Out (Note 5)	-	-	(888,503)	(56,300)	-	(944,803)
Change in Net Position	<u>629,815</u>	<u>531,064</u>	<u>(78,030)</u>	<u>189,891</u>	<u>1,180,333</u>	<u>2,453,073</u>
Net Position, January 1	<u>1,385,685</u>	<u>1,064,528</u>	<u>1,530,324</u>	<u>4,291,350</u>	<u>10,920,413</u>	<u>19,192,301</u>
Total Net Position - Ending	<u>\$ 2,015,500</u>	<u>\$ 1,595,592</u>	<u>\$ 1,452,295</u>	<u>\$ 4,481,241</u>	<u>\$ 12,100,746</u>	<u>\$ 21,645,374</u>

City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Fiscal Year Ended December 31, 2017

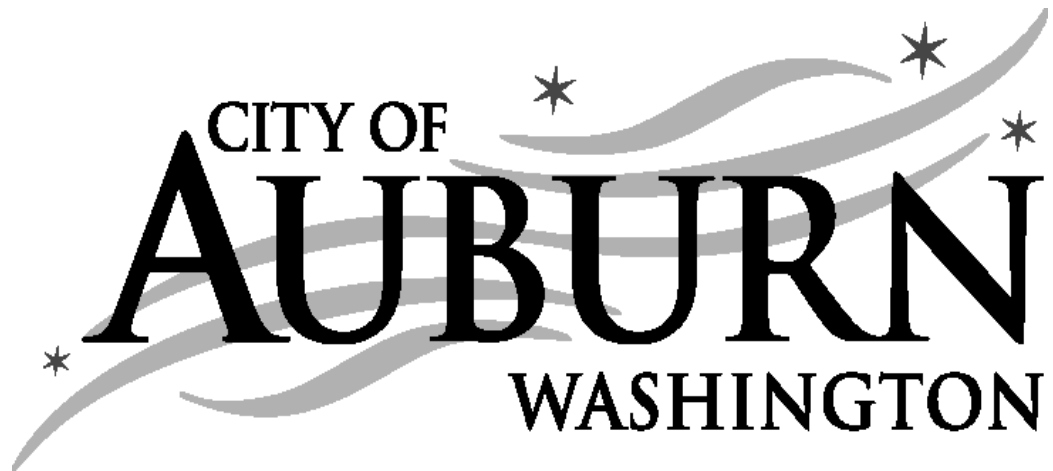
Page 1 of 2

	Insurance	Workers Comp Self Insurance	Facilities	Information Services	Equipment Rental	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received From Users	\$ -	\$ 941,648	\$ 3,472,445	\$ 6,065,744	\$ 3,985,670	\$ 14,465,507
Cash Paid to Suppliers for Goods & Services	(52,398)	(332,757)	(1,777,182)	(3,055,378)	(1,269,164)	(6,486,879)
Cash Paid to Employees	-	(104,518)	(965,495)	(2,596,884)	(875,304)	(4,542,201)
Other Cash Received	-	-	-	(169)	42	(127)
Net Cash Provided (Used) By Operating Activities	(52,398)	504,373	729,768	413,313	1,841,244	3,436,300
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating Grant Received	-	-	57,928	-	-	57,928
Transfers In	670,715	-	-	368,953	472,032	1,511,700
Transfers Out	-	-	(888,503)	(56,300)	-	(944,803)
Net Cash Provided (Used) by Non-Capital Financing Activities	670,715	-	(830,575)	312,653	472,032	624,825
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from Sale of Equipment	-	-	-	-	189,666	189,666
Purchase of Capital Assets	-	-	-	(533,694)	(1,671,996)	(2,205,690)
Proceeds from Insurance Settlement	-	-	-	-	84,067	84,067
Interest Payment on Debt	-	-	-	-	(3,580)	(3,580)
Net Cash Provided (Used) for Capital and Related Financing Activities	-	-	-	(533,694)	(1,401,843)	(1,935,537)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Interest Received	11,646	13,175	19,817	33,166	57,943	135,747
Net Cash Provided (Used) in Investing Activities	11,646	13,175	19,817	33,166	57,943	135,747
Net Increase (Decrease) in Cash and Cash Equivalents	629,963	517,548	(80,990)	225,438	969,376	2,261,335
Cash and Cash Equivalents - Beginning of Year	1,385,685	1,113,493	2,046,505	3,640,794	5,689,907	13,876,384
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 2,015,648</b>	<b>\$ 1,631,041</b>	<b>\$ 1,965,515</b>	<b>\$ 3,866,232</b>	<b>\$ 6,659,283</b>	<b>\$ 16,137,719</b>
<b>CASH AT END OF YEAR CONSISTS OF:</b>						
Cash and Cash Equivalents	2,015,648	1,631,041	1,965,515	3,866,232	6,659,283	16,137,719
Total Cash	\$ 2,015,648	\$ 1,631,041	\$ 1,965,515	\$ 3,866,232	\$ 6,659,283	\$ 16,137,719

City of Auburn, Washington  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Fiscal Year Ended December 31, 2017

Page 2 of 2

	Insurance	Workers Comp Self Insurance	Facilities	Information Services	Equipment Rental	Total
<b>RECONCILIATION OF NET OPERATING INCOME TO NEW CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (52,546)	\$ 517,889	\$ 732,728	\$ (155,928)	\$ 553,317	\$ 1,595,460
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Depreciation	-	-	-	680,431	1,182,134	1,862,565
Other Non-Operating Revenues					42	42
Asset (Increases) Decreases:						
Accounts Receivable	-	-	(12,589)	(169)	175	(12,583)
Inventory	-	-	-	-	(17,101)	(17,101)
Liability Increases (Decreases):						
Accounts & Vouchers Payable	148	(10,370)	45,776	(33,024)	151,807	154,337
Wages & Benefits Payable	-	(3,438)	(34,983)	(90,883)	(28,543)	(157,847)
Compensated Absences Payable	-	292	(1,164)	12,886	(587)	11,427
Total Adjustments	<u>148</u>	<u>(13,516)</u>	<u>(2,960)</u>	<u>569,241</u>	<u>1,287,927</u>	<u>1,840,840</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (52,398)</u>	<u>\$ 504,373</u>	<u>\$ 729,768</u>	<u>\$ 413,313</u>	<u>\$ 1,841,244</u>	<u>\$ 3,436,300</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>						
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, 2017

	Balance 1/1/2017	Additions	Deductions	Balance 12/31/2017
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 241,446	\$ 6,929,371	\$ 6,643,071	\$ 527,746
Other Current Assets	<u>3,713</u>	<u>274,954</u>	<u>271,814</u>	<u>6,853</u>
Total Assets	<u>\$ 245,159</u>	<u>\$ 7,204,325</u>	<u>\$ 6,914,885</u>	<u>\$ 534,599</u>
<b>LIABILITIES:</b>				
Due to Other Government Units	<u>245,159</u>	<u>13,507,224</u>	<u>13,796,664</u>	<u>534,599</u>
Total Liabilities	<u>\$ 245,159</u>	<u>\$ 13,507,224</u>	<u>\$ 13,796,664</u>	<u>\$ 534,599</u>



City of Auburn  
**STATISTICAL SECTION**  
 December 31, 2017

**Financial Trends Information**

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

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**Revenue Capacity Information**

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

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**Debt Capacity Information**

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

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**Demographic and Economic Information**

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

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**Operating Information**

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities:</b>										
Net Investment in Capital Assets	\$ 303,564,348	\$ 314,691,982	\$ 320,506,701	\$ 340,941,112	\$ 354,899,294	\$ 346,195,793	\$ 348,080,505	\$ 361,094,242	\$ 367,128,894	\$ 373,368,558
Restricted	28,965,599	12,741,566	15,180,467	14,230,963	13,164,116	15,019,909	16,404,328	19,470,880	26,745,270	29,854,240
Unrestricted	25,955,501	43,754,879	46,734,364	45,250,090	43,245,050	47,426,352	51,898,566	40,928,090	42,900,814	42,804,107
Total governmental activities net position	<u>358,485,448</u>	<u>371,188,427</u>	<u>382,421,532</u>	<u>400,422,165</u>	<u>411,308,460</u>	<u>408,642,054</u>	<u>416,383,399</u>	<u>421,493,212</u>	<u>436,774,978</u>	<u>446,026,906</u>
<b>Business-type activities:</b>										
Net Investment in Capital Assets	144,626,496	150,621,492	152,343,987	166,289,542	173,709,864	165,619,867	169,098,916	187,604,782	195,490,061	205,317,614
Restricted	933,914	2,071,219	4,107,128	4,153,982	4,719,058	16,839,589	14,115,610	4,764,340	3,110,414	1,856,970
Unrestricted	35,859,489	29,546,169	28,642,334	30,523,974	30,439,381	32,880,216	37,724,080	32,974,662	40,797,698	41,987,494
Total business-type activities net position	<u>181,419,899</u>	<u>182,238,880</u>	<u>185,093,449</u>	<u>200,967,498</u>	<u>208,868,303</u>	<u>215,339,672</u>	<u>220,938,606</u>	<u>225,343,784</u>	<u>239,398,173</u>	<u>249,162,078</u>
<b>Primary government</b>										
Net Investment in Capital Assets	448,190,844	465,313,474	472,850,688	507,230,654	528,609,158	511,815,660	517,179,421	548,699,024	562,618,955	578,686,172
Restricted	29,899,513	14,812,785	19,287,595	18,384,945	17,883,174	31,859,498	30,519,938	24,235,220	29,855,684	31,711,210
Unrestricted	61,814,990	73,301,048	75,376,698	75,774,064	73,684,431	80,306,568	89,622,646	73,902,752	83,698,512	84,791,601
Total primary government net position	<u>\$ 539,905,347</u>	<u>\$ 553,427,307</u>	<u>\$ 567,514,981</u>	<u>\$ 601,389,663</u>	<u>\$ 620,176,763</u>	<u>\$ 623,981,726</u>	<u>\$ 637,322,005</u>	<u>\$ 646,836,996</u>	<u>\$ 676,173,151</u>	<u>\$ 695,188,984</u>

Source: City of Auburn, Finance Department

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 8,000,715	\$ 7,567,085	\$ 7,934,948	\$ 8,581,829	\$ 9,441,887	\$ 7,508,112	\$ 8,363,427	\$ 9,187,539	\$ 9,557,602	\$ 10,384,647
Public safety	28,217,844	25,675,063	25,890,627	27,320,805	27,339,301	27,423,015	27,144,153	29,883,217	32,117,837	32,746,406
Transportation	12,974,861	11,471,167	11,989,752	12,123,615	15,736,610	14,861,834	16,150,877	17,324,036	16,602,993	17,904,352
Physical environment	3,096,696	3,327,836	2,498,539	2,327,911	2,535,877	2,699,301	2,976,461	2,924,046	3,266,375	3,217,885
Culture and recreation	6,271,924	7,561,569	7,307,270	7,606,584	8,310,210	9,184,289	11,094,524	12,096,651	12,811,186	13,539,098
Economic environment	2,608,980	3,000,257	2,499,631	3,135,984	2,914,335	2,346,025	2,751,869	3,044,354	3,224,984	3,859,863
Health and human services	776,224	527,029	578,247	619,172	633,175	510,285	622,374	925,299	573,115	674,270
Interest on long-term debt	226,651	408,471	1,809,322	1,685,055	2,336,960	3,795,024	3,615,211	1,986,853	1,709,647	1,555,803
Total governmental activities expenses	62,173,895	59,538,478	60,508,335	63,400,955	69,248,355	68,327,885	72,718,896	77,371,995	79,863,739	83,882,324
Business-type activities:										
Water	8,565,231	8,970,215	10,042,879	8,961,736	9,655,724	11,893,094	11,992,944	13,691,529	13,107,629	12,408,008
Sewer	14,479,299	16,569,297	17,794,958	18,852,402	19,680,724	21,584,215	23,026,216	23,992,161	25,685,370	25,360,718
Storm drainage	5,226,823	7,275,072	6,994,381	6,752,021	8,025,729	7,726,467	7,668,072	8,308,559	8,814,542	8,979,969
Solid waste	10,781,426	11,019,606	9,894,429	9,957,943	11,305,322	12,535,078	12,760,313	12,907,832	13,460,155	14,539,703
Golf course	1,958,703	1,909,758	1,844,108	1,903,836	1,912,174	1,933,597	-	-	-	-
Non-major business-type activities	1,720,603	1,666,754	1,781,204	2,010,776	1,954,104	1,857,252	1,924,874	2,062,695	2,150,693	2,106,557
Total business-type activities expenses	42,732,085	47,410,702	48,351,960	48,438,714	52,533,777	57,529,703	57,372,419	60,962,776	63,218,389	63,394,955
Total primary government expenses	\$104,905,980	\$106,949,180	\$108,860,294	\$111,839,669	\$121,782,132	\$125,857,588	\$130,091,315	\$138,334,771	\$143,082,128	\$147,277,279
<b>Program revenues</b>										
Governmental activities:										
Charges for services										
General Government	\$ 2,316,125	\$ 814,095	\$ 1,168,574	\$ 1,010,911	\$ 897,521	\$ 893,326	\$ 1,160,198	\$ 1,243,263	\$ 939,184	\$ 1,241,905
Public Safety	2,674,777	2,854,530	2,938,942	3,867,013	1,016,191	2,103,823	2,273,903	1,993,117	1,468,536	2,523,667
Transportation	1,272,751	1,587,850	960,532	1,042,147	1,819,851	1,967,778	1,660,270	1,446,026	3,265,147	2,118,980
Physical Environment	257,780	147,996	86,306	103,590	36,766	398,564	276,632	384,485	260,555	431,580
Culture and Recreation	917,544	1,048,390	962,558	1,182,688	880,380	873,970	2,876,185	3,052,599	2,508,166	3,073,262
Economic Environment	1,638,579	1,654,692	1,732,397	2,294,916	3,266,188	3,586,844	3,087,853	2,989,579	3,896,453	2,400,940
Health and human services	-	989	449	7,528	-	-	-	-	-	-
Total charges for services	9,077,556	8,108,542	7,849,758	9,508,793	7,916,897	9,824,305	11,335,041	11,109,069	12,338,041	11,790,334
Operating grants and contributions	2,567,788	3,001,401	3,022,835	1,724,711	3,560,707	1,967,252	1,333,652	4,234,309	2,767,931	2,257,646
Capital grants and contributions	94,905,563	12,806,049	10,702,132	19,730,140	17,835,784	5,955,062	6,001,230	19,526,548	13,275,208	13,229,502
Total governmental activities program revenues	106,550,907	23,915,992	21,574,725	30,963,644	29,313,388	17,746,619	18,669,923	34,869,926	28,381,180	27,277,482
Business-type activities:										
Charges for services	39,883,386	42,338,079	43,461,742	45,045,488	50,710,688	57,533,735	60,332,817	63,391,139	65,733,943	68,220,200
Operating grants and contributions	55,024	87,454	70,841	116,735	97,052	90,361	111,025	106,286	106,286	106,286
Capital grants and contributions	10,670,660	1,992,259	7,391,111	15,981,735	7,248,835	5,483,344	5,070,810	5,821,857	10,574,852	4,363,568
Total business-type activities program revenue	50,609,070	44,417,792	50,923,694	61,143,958	58,056,575	63,107,440	65,514,652	69,319,282	76,415,081	72,690,054
Total primary government program revenues	157,159,977	68,333,784	72,498,419	92,107,602	87,369,963	80,854,059	84,184,575	104,189,208	104,796,261	99,967,536
Net (expense)/revenue										
Governmental activities	44,377,012	(35,622,486)	(38,933,610)	(32,437,311)	(39,934,967)	(50,581,266)	(54,048,973)	(42,502,069)	(51,482,559)	(56,604,841)
Business-type activities	7,876,985	(2,992,910)	2,571,734	12,705,244	5,522,798	5,577,737	8,142,233	8,356,506	13,196,692	9,295,099
Total primary government net expense	\$ 52,253,997	\$ (38,615,396)	\$ (36,361,876)	\$ (19,732,067)	\$ (34,412,169)	\$ (45,003,529)	\$ (45,906,740)	\$ (34,145,563)	\$ (38,285,867)	\$ (47,309,742)
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 10,804,825	\$ 13,362,672	\$ 14,766,470	\$ 15,204,611	\$ 14,970,136	\$ 14,490,790	\$ 15,867,838	\$ 17,271,705	\$ 18,102,286	\$ 20,967,953
Retail sales and use tax	17,620,661	14,727,496	15,657,081	16,213,244	16,679,278	18,335,157	19,744,684	21,125,730	21,475,335	22,333,454
Interfund utility taxes	2,507,213	3,437,526	2,788,083	2,948,297	3,281,816	3,892,250	4,068,667	4,260,831	4,624,951	4,540,265
Utility taxes	8,075,355	9,071,485	8,886,964	9,049,689	8,856,498	9,156,636	9,040,015	8,838,179	8,917,401	10,391,462
Excise taxes	3,477,517	2,310,076	1,389,030	1,859,738	2,141,620	2,555,850	2,888,797	4,999,517	5,057,013	4,141,146
Other taxes	2,949,430	4,607,584	4,622,138	4,644,909	4,679,333	4,429,990	4,601,925	4,722,482	5,160,215	5,253,964
Investment earnings	1,589,837	570,798	379,316	224,593	178,618	121,687	105,117	118,399	332,520	787,786
Miscellaneous	2,751,495	67,223	214,190	775,969	547,391	(4,625,627)	178,482	194,600	157,874	204,306
Transfers	427,740	170,605	1,463,444	(483,107)	(513,428)	(218,230)	5,294,793	(462,955)	424,173	454,436
Total governmental activities	50,204,073	48,325,465	50,166,715	50,437,943	50,821,262	48,137,603	61,790,318	61,068,488	64,251,768	69,074,772
Business-type activities:										
Investment earnings	1,242,363	312,618	158,211	101,694	82,903	68,400	51,261	70,560	196,595	479,132
Miscellaneous	330,472	3,669,878	1,588,068	2,584,004	1,781,676	763,717	2,700,233	1,881,835	1,085,275	444,110
Transfers	(427,740)	(170,605)	(1,463,444)	483,107	513,428	218,230	(5,294,793)	462,955	(424,173)	(454,436)
Total business-type activities:	1,145,095	3,811,891	282,835	3,168,805	2,378,007	1,050,347	(2,543,299)	2,415,350	857,697	468,806
Total primary government	\$ 51,349,168	\$ 52,137,356	\$ 50,449,550	\$ 53,606,748	\$ 53,199,269	\$ 49,187,950	\$ 59,247,019	\$ 63,483,838	\$ 65,109,465	\$ 69,543,578
<b>Change in net position Before Change in Accounting Principle</b>										
Governmental activities	94,581,085	12,702,979	11,233,105	18,000,632	10,886,295	(2,443,663)	7,741,345	18,566,419	12,769,209	12,469,931
Business-type activities	9,022,080	818,981	2,854,569	15,874,049	7,900,805	6,628,084	5,598,934	10,771,856	14,054,389	9,763,905
Total primary government	\$103,603,165	\$ 13,521,960	\$ 14,087,674	\$ 33,874,681	\$ 18,787,100	\$ 4,184,421	\$ 13,340,279	\$ 29,338,275	\$ 26,823,598	\$ 22,233,836
<b>Change in Accounting Principle</b>										
Governmental activities	-	-	-	-	-	(222,743)	-	(13,456,606)	2,512,557	(3,218,004)
Business-type activities	-	-	-	-	-	(156,715)	-	(6,366,678)	-	-
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (379,458)	\$ -	\$ (19,823,284)	\$ 2,512,557	\$ (3,218,004)
<b>Change in net position After Change in Accounting Principle</b>										
Governmental activities	94,581,085	12,702,979	11,233,105	18,000,632	10,886,295	(2,666,406)	7,741,345	15,109,813	15,281,766	9,251,927
Business-type activities	9,022,080	818,981	2,854,569	15,874,049	7,900,805	6,471,369	5,598,934	10,405,181	14,054,389	9,763,905
Total primary government	\$103,603,165	\$ 13,521,960	\$ 14,087,674	\$ 33,874,681	\$ 18,787,100	\$ 3,804,963	\$ 13,340,279	\$ 9,514,991	\$ 29,336,155	\$ 19,015,832

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)

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General Fund										
Unreserved	\$ 13,071,091	\$ 13,237,851	\$ 15,382,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	370,400	127	127	127	-	30,453
Assigned	-	-	-	7,082,130	5,935,567	5,892,611	4,045,598	7,284,159	7,160,098	9,315,528
Unassigned	-	-	-	14,193,365	17,395,933	17,751,778	20,914,093	20,267,776	24,991,081	25,414,801
Total General Fund	<u>13,071,091</u>	<u>13,237,851</u>	<u>15,382,354</u>	<u>21,275,495</u>	<u>23,701,900</u>	<u>23,644,516</u>	<u>24,959,818</u>	<u>27,552,062</u>	<u>32,151,179</u>	<u>34,760,782</u>
All other governmental funds										
Reserved	1,507,565	1,538,038	1,592,378	-	-	-	-	-	-	-
Unreserved, Reported In:										
Special Revenue Funds	14,463,370	15,184,058	15,486,918	-	-	-	-	-	-	-
Capital Projects Funds	12,990,032	10,422,360	12,589,604	-	-	-	-	-	-	-
Permanent Funds	144,396	153,503	132,717	-	-	-	-	-	-	-
Total Unreserved	<u>27,597,798</u>	<u>25,759,921</u>	<u>28,209,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonspendable				1,453,540	1,475,580	1,536,316	1,574,148	1,585,707	1,666,043	1,717,134
Restricted				12,781,743	11,688,536	13,483,593	14,830,180	17,885,173	25,079,227	28,137,106
Committed				3,134,449	3,258,257	3,242,662	5,066,181	3,658,719	5,421,640	3,223,108
Assigned				3,120,372	2,388,684	4,976,833	4,725,119	4,755,182	1,226,315	1,221,511
Total All Other Governmental Funds	<u>\$ 29,105,363</u>	<u>\$ 27,297,959</u>	<u>\$ 29,801,617</u>	<u>\$ 20,490,104</u>	<u>\$ 18,811,057</u>	<u>\$ 23,239,404</u>	<u>\$ 26,195,628</u>	<u>\$ 27,884,781</u>	<u>\$ 33,393,225</u>	<u>\$ 34,298,859</u>

(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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 43,781,530	\$ 42,514,006	\$ 43,069,695	\$ 44,812,975	\$ 46,003,582	\$ 48,545,041	\$ 51,718,489	\$ 56,632,337	\$ 58,279,984	\$ 62,425,246
Licenses and permits	1,110,722	1,326,875	1,311,916	1,769,516	2,344,643	3,041,948	2,400,662	2,074,432	3,005,125	1,906,796
Intergovernmental	8,369,888	9,616,067	9,656,529	16,174,149	20,045,299	11,854,984	9,379,699	13,620,446	12,714,010	16,187,560
Charges for services	3,784,544	3,473,199	3,073,168	2,938,815	4,006,762	3,891,776	5,717,712	7,321,295	11,563,678	7,117,774
Fines and forfeits	2,059,771	1,911,034	2,472,411	1,940,326	1,592,957	1,441,603	1,258,408	938,775	905,921	882,254
Special assessments	57,402	107,597	43,502	32,972	39,115	40,772	472,800	7,494	4,111	3,835
Investment earnings	1,363,375	484,696	386,890	237,056	200,826	144,151	135,709	117,942	279,058	672,713
Miscellaneous	1,296,349	1,142,428	3,023,589	2,322,580	871,191	621,673	1,691,274	1,890,419	1,854,450	1,966,333
<b>Total revenues</b>	<b>61,823,581</b>	<b>60,575,902</b>	<b>63,037,699</b>	<b>70,228,389</b>	<b>75,104,375</b>	<b>69,581,948</b>	<b>72,774,753</b>	<b>82,603,140</b>	<b>88,606,337</b>	<b>91,162,511</b>
<b>Expenditures</b>										
General government	7,719,205	7,864,410	7,770,957	8,310,037	8,761,452	7,300,667	7,712,018	8,661,592	8,936,366	9,755,757
Public safety	26,023,912	25,762,116	24,597,986	27,399,406	24,039,435	27,146,590	27,264,294	29,164,772	30,809,069	32,084,376
Transportation	8,910,967	9,850,579	10,054,434	16,059,156	20,766,134	15,119,530	8,979,583	16,323,425	12,607,616	20,652,538
Physical environment	3,490,636	3,192,089	2,480,641	2,290,328	2,526,526	2,855,908	3,086,738	2,991,145	3,309,993	3,359,548
Economic environment	2,530,827	3,028,684	2,597,849	3,138,590	2,876,558	2,692,389	2,783,898	3,066,674	3,324,309	3,880,025
Health and human services	776,224	527,029	568,911	616,717	616,583	631,997	626,681	925,299	573,115	674,270
Culture and recreation	6,296,743	6,622,546	6,663,881	6,918,623	7,228,345	7,925,325	9,759,110	10,700,680	11,480,488	11,943,070
Capital outlay <sup>(1)</sup>	4,778,334	30,338,508	8,486,382	8,597,944	4,007,018	2,746,599	3,394,886	3,580,304	6,784,343	2,096,281
Debt service:										
Principal	456,655	479,661	26,683,671	1,208,512	1,219,137	2,238,181	2,704,468	1,713,940	1,737,569	1,635,126
Interest / other	264,997	296,241	1,775,746	1,761,334	2,245,858	2,709,768	2,892,281	1,801,109	1,632,786	1,590,525
<b>Total expenditures</b>	<b>61,248,500</b>	<b>87,961,863</b>	<b>91,680,457</b>	<b>76,300,647</b>	<b>74,287,046</b>	<b>71,366,954</b>	<b>69,203,957</b>	<b>78,928,940</b>	<b>81,195,654</b>	<b>87,671,516</b>
Excess of revenues over (under) expenditures	575,081	(27,385,961)	(28,642,758)	(6,072,258)	817,329	(1,785,006)	3,570,796	3,674,200	7,410,683	3,490,995
<b>Other financing sources (uses)</b>										
Transfers in	7,386,082	6,994,306	9,442,727	7,410,926	6,643,116	4,776,100	5,309,769	7,100,830	11,121,265	7,050,817
Transfers out	(7,993,842)	(6,997,801)	(7,745,568)	(6,242,333)	(7,005,097)	(4,450,925)	(5,003,448)	(6,668,626)	(11,182,611)	(7,163,278)
Capital leases	17,728	24,549,186	-	-	-	-	-	-	-	-
Insurance recoveries	-	114,607	200,642	154,200	291,210	192,898	136,585	153,041	83,737	134,003
Issuance of debt	360,000	957,278	31,172,273	-	-	3,044,491	240,366	-	3,128,732	-
Issuance of refunding bond	-	-	2,150,000	-	-	-	-	-	38,198	-
Debt Premium	-	-	305,844	-	-	-	-	-	-	-
Payment to escrow agent - refunded bon	-	-	(2,235,000)	-	-	-	-	-	(3,005,000)	-
Sales of capital assets	2,698,677	127,741	-	1,331,092	800	2,593,405	17,458	21,952	-	2,700
<b>Total other financing sources (uses)</b>	<b>2,468,645</b>	<b>25,745,317</b>	<b>33,290,918</b>	<b>2,653,885</b>	<b>(69,971)</b>	<b>6,155,969</b>	<b>700,730</b>	<b>607,197</b>	<b>184,321</b>	<b>24,242</b>
<b>Net change in fund balances</b>	<b>\$ 3,043,726</b>	<b>\$ (1,640,644)</b>	<b>\$ 4,648,159</b>	<b>\$ (3,418,373)</b>	<b>\$ 747,358</b>	<b>\$ 4,370,963</b>	<b>\$ 4,271,526</b>	<b>\$ 4,281,397</b>	<b>\$ 7,595,004</b>	<b>\$ 3,515,237</b>
Debt service as a percentage of noncapital expenditures	1.42%	1.54%	37.50%	5.44%	6.64%	8.71%	10.68%	5.50%	5.14%	4.66%

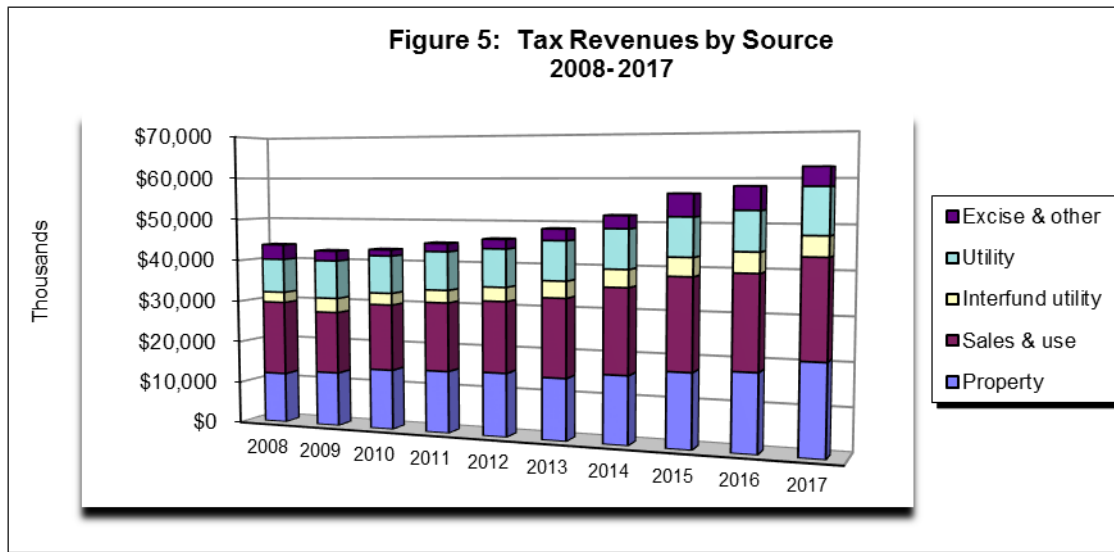
(1) Capital outlay reported in governmental funds for 2017 are \$2,096,281 plus \$16,336,628 which is reported for each functional activity with the other funds results in total capital outlay of \$18,432,909 as reported on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in 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
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
2015	17,337,108	21,125,730	4,260,831	8,838,179	4,999,517	70,972	56,632,337
2016	18,067,324	21,475,335	4,624,951	8,917,401	5,057,013	137,960	58,279,984
2017	20,976,384	22,333,454	4,540,265	10,391,462	4,141,146	42,535	62,425,246
<b>Change</b>							
2008-2017	74.2%	26.7%	81.1%	28.7%	19.1%	-29.9%	42.6%

Source: City of Auburn, Finance Department

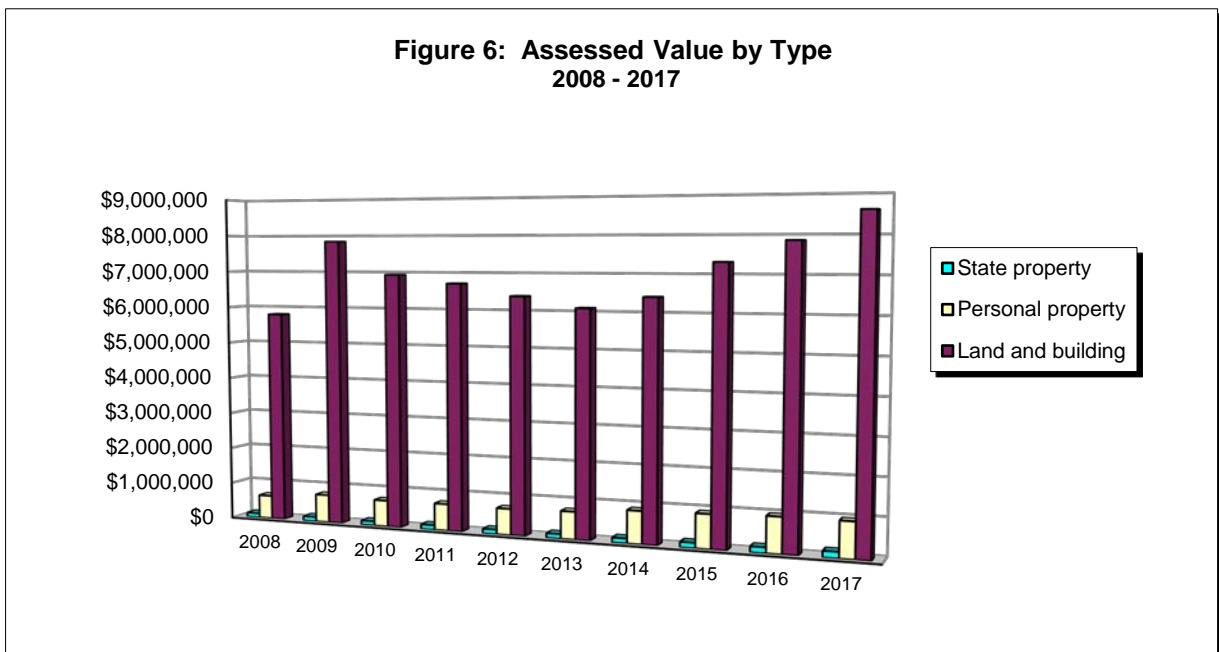


City of Auburn, Washington  
**SCHEDULE 6**  
**ASSESSED VALUE BY TYPE**  
 Last Ten Fiscal Years  
 (Amounts Expressed in Thousands)

Fiscal Year	State Property and Other	Personal Property	Land and Building	Total Assessed Value	Total Direct Rate
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
2015	146,941	911,493	7,308,219	8,366,653	2.08
2016	156,673	958,859	7,851,588	8,967,119	2.05
2017	171,829	957,161	8,592,887	9,721,877	2.20

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

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

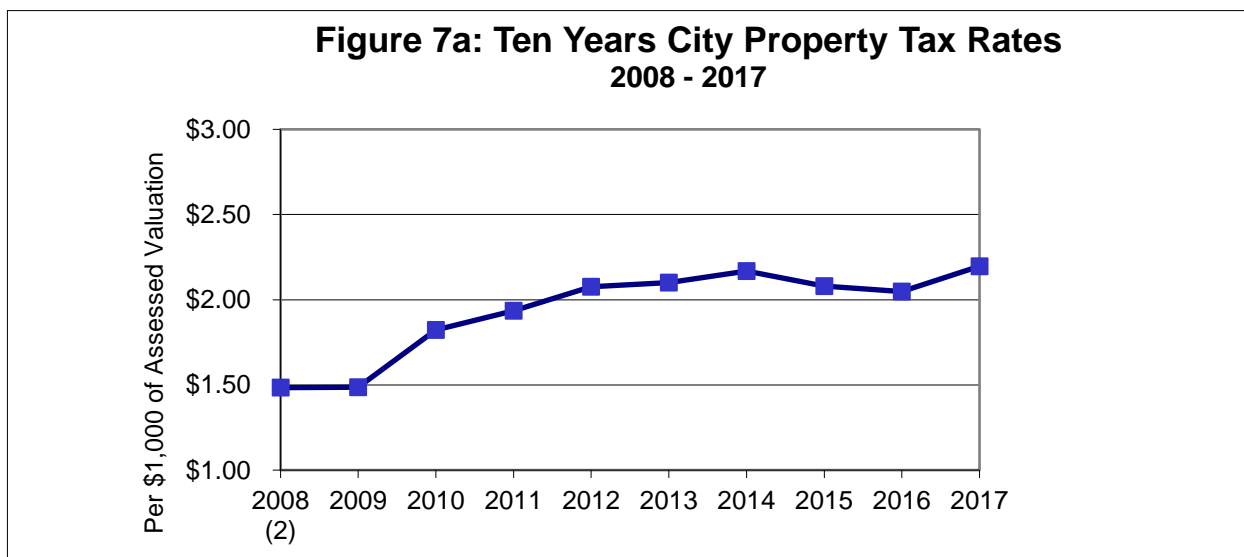


City of Auburn, Washington  
**SCHEDULE 7**  
**PROPERTY TAX DATA**  
 Last Ten Fiscal Years

Item	2008 (2)	2009	2010	2011
<b>Assessed and estimated actual values <sup>(1)</sup></b>				
Estimated and actual value (in thousands)	\$ 6,556,690	\$ 8,723,864	\$ 7,765,878	\$ 7,564,507
Assessed value (in thousands)	6,556,690	8,723,864	7,765,878	7,564,507
Ratio of assessed to actual	100%	100%	100%	100%
<b>Property tax rates <sup>(1)</sup></b>				
Direct regular and special				
General fund	\$ 1.48385	\$ 1.48678	\$ 1.82336	\$ 1.93458
Debt service funds	-	-	-	-
Subtotal	1.48385	1.48678	1.82336	1.93458
<b>Overlapping regular and special <sup>(1)</sup></b>				
Auburn School District	\$ 4.40970	\$ 4.37709	\$ 5.09382	\$ 5.99562
King County	1.20770	1.09772	1.28499	1.33816
State of Washington	2.13233	1.96268	2.22253	2.27990
Port of Seattle	0.22359	0.19700	0.21597	0.22366
Sound Transit	-	-	-	-
Emergency Medical Services	0.30000	0.27404	0.30000	0.30000
Hospital District	0.50854	0.47141	0.53290	0.55753
King County Library District	0.45336	0.41736	0.48526	0.56621
Valley Regional Fire Authority	1.00000	1.10995	1.17910	1.17977
King County Flood Zone	0.10000	0.91230	0.10514	0.10976
King County Ferry District	0.05500	0.05018	0.00348	0.00360
Subtotal	10.39022	10.86973	11.42319	12.55421
Total direct and overlapping	\$ 11.87407	\$ 12.35651	\$ 13.24655	\$ 14.48879

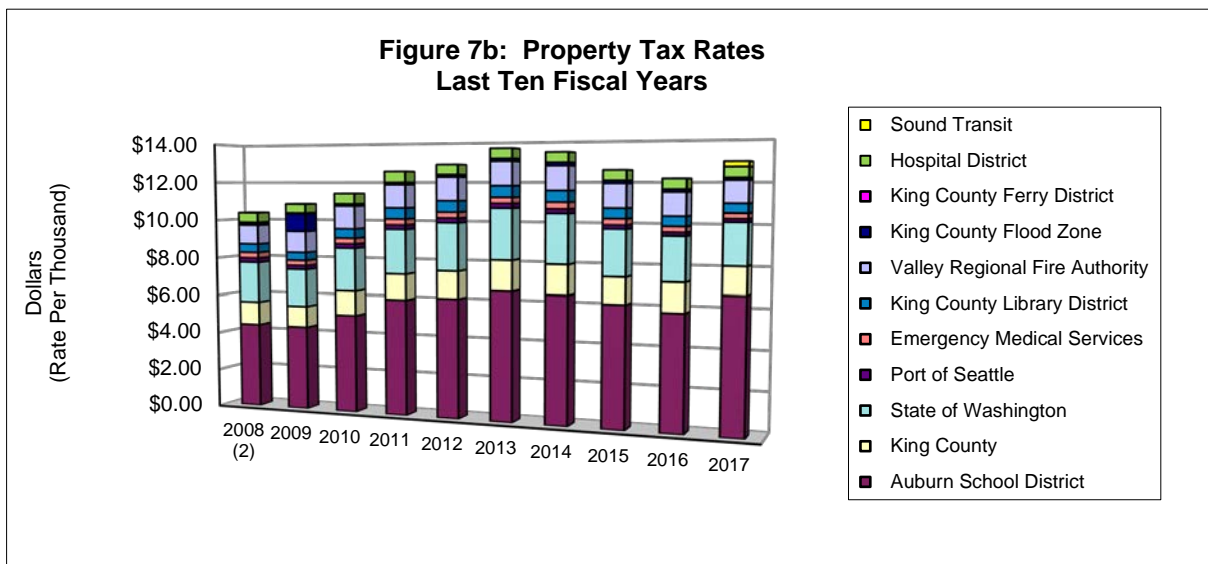
Sources:

- (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 (VRFA) effective 1/1/2007. The VRFA will assess its own property tax levy in 2008, partially offsetting what was previously levied by the City.





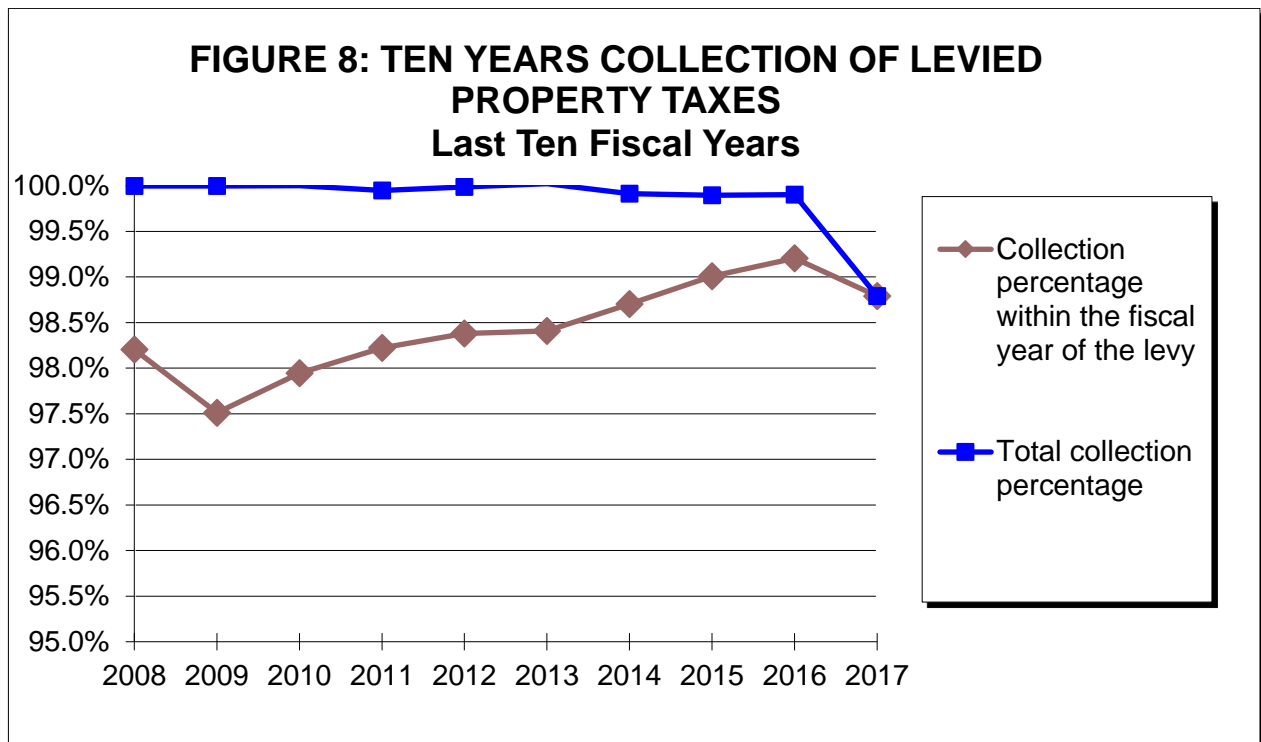
	2012	2013	2014	2015	2016	2017
\$	7,225,550	6,968,719	7,422,169	8,366,653	8,967,119	9,721,877
	7,225,550	6,968,719	7,422,169	8,366,653	8,967,119	9,721,877
	100%	100%	100%	100%	100%	100%
\$	2.07527	2.10000	2.16739	2.08085	2.04719	2.19668
	-	-	-	-	-	-
	2.07527	2.10000	2.16739	2.08085	2.04719	2.19668
\$	6.14004	6.62190	6.50262	6.14079	5.82831	6.74299
	1.41588	1.54051	1.51605	1.34522	1.48027	1.38294
	2.42266	2.56720	2.47044	2.28514	2.16898	2.03205
	0.22982	0.23324	0.21533	0.18885	0.16954	0.15334
	-	-	-	-	-	0.25000
	0.30000	0.30000	0.33500	0.30217	0.28235	0.26305
	0.50000	0.50000	0.50000	0.50000	0.50000	0.50089
	0.56992	0.56743	0.56175	0.50276	0.47714	0.45118
	1.18925	1.20479	1.20294	1.18043	1.13495	1.06821
	0.11616	0.13210	0.15369	0.13860	0.12980	0.11740
	0.00372	0.00378	0.00349	-	-	-
	12.88745	13.67095	13.46131	12.58396	12.17134	12.96205
\$	14.96272	15.77095	15.62870	14.66481	14.21853	15.15873



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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Current Year Levy Balance
		Amount	% of Levy		Amount	% of Levy	
<b>King County:</b>							
2008	9,550,684	\$ 9,406,398	98.5%	144,084	\$ 9,550,482	100.0%	\$ 202
2009	11,671,904	11,390,684	97.6%	281,064	11,671,748	100.0%	156
2010	12,712,801	12,459,564	98.0%	253,566	12,713,130	100.0%	(329)
2011	13,080,879	12,846,996	98.2%	226,333	13,073,328	99.9%	7,550
2012	13,391,835	13,167,731	98.3%	222,514	13,390,245	100.0%	1,591
2013	12,889,371	12,673,712	98.3%	219,215	12,892,926	100.0%	(3,556)
2014	14,166,167	13,970,560	98.6%	182,124	14,152,683	99.9%	13,483
2015	15,389,766	15,226,048	98.9%	146,395	15,372,443	99.9%	17,323
2016	16,038,165	15,897,626	99.1%	124,841	16,022,467	99.9%	15,698
2017	18,662,509	18,418,844	98.7%	-	18,418,844	98.7%	243,665
							<u>\$ 295,783</u>
<b>Pierce County:</b>							
2008	1,226,764	\$ 1,177,691	96.0%	49,073	\$ 1,226,764	100.0%	\$ 1
2009	1,264,380	1,223,693	96.8%	40,688	1,264,381	100.0%	(0)
2010	1,489,729	1,451,377	97.4%	38,352	1,489,729	100.0%	1
2011	1,425,381	1,401,543	98.3%	23,838	1,425,381	100.0%	(0)
2012	1,495,390	1,478,230	98.9%	17,038	1,495,269	100.0%	121
2013	1,484,398	1,471,458	99.1%	12,801	1,484,260	100.0%	138
2014	1,595,567	1,587,010	99.5%	8,557	1,595,567	100.0%	0
2015	1,746,059	1,739,735	99.6%	5,689	1,745,424	100.0%	635
2016	1,867,819	1,866,161	99.9%	-	1,866,161	99.9%	1,658
2017	2,238,260	2,229,137	99.6%	-	2,229,137	99.6%	9,124
							<u>\$ 11,676</u>
<b>Total current levy balance</b>							<u>\$ 307,459</u>

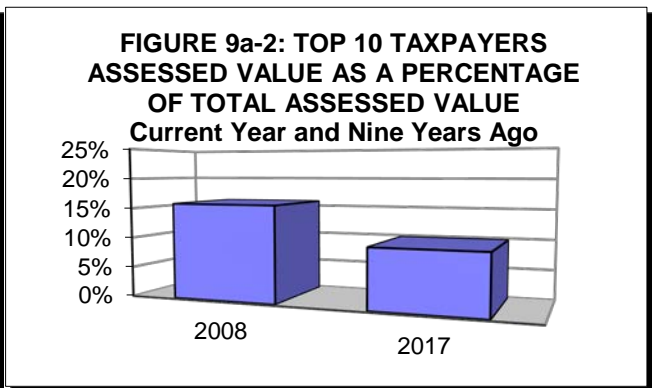
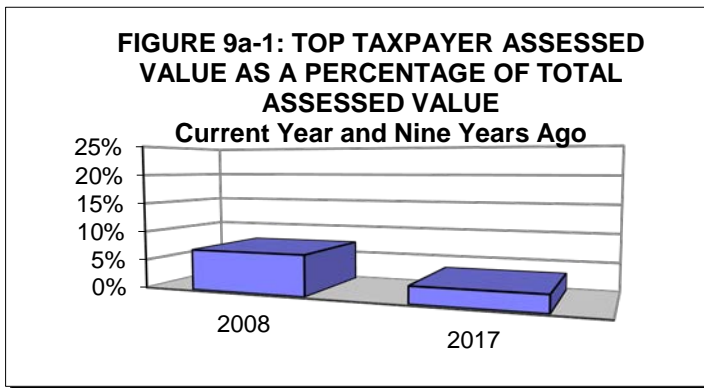
Source: King County Finance and Business Operations Division  
 Pierce County Budget and Finance Department



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

Taxpayer	2017			2008		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Boeing	\$ 280,936,249	1	2.89%	\$ 457,846,367	1	6.98%
Glimcher Supermall Venture	119,511,411	2	1.23%	124,696,902	2	1.90%
EProperty Tax Inc.	96,597,800	3	0.99%	74,665,100	4	1.14%
Puget Sound Energy	83,356,440	4	0.99%	58,958,636	5	0.90%
Safeway	79,488,034	5	0.82%	121,011,972	3	1.85%
Principal Life Insurance Co.	71,175,200	6	0.73%	-	-	0.00%
PPF Industrial	69,997,800	7	0.72%	-	-	0.00%
KW Lakeland LLC	59,467,900	8	0.61%	-	-	0.00%
AMB Institutional Alliance	47,643,100	9	0.49%	-	-	0.00%
TIAA CREF	41,940,100	10	0.43%	-	-	0.00%
Muckleshoot Indian Tribe	-	-	-	57,234,500	6	0.87%
Invesco Realty Advisors	-	-	-	53,946,000	7	0.82%
Universal Health	-	-	-	47,220,355	8	0.72%
Qwest Corporation	-	-	-	24,144,890	9	0.37%
Roundup Co. (Fred Meyer)	-	-	-	19,217,762	10	0.29%
<b>TOTALS</b>	<b>\$ 950,114,034</b>		<b>9.91%</b>	<b>\$ 1,038,942,484</b>		<b>15.85%</b>

Source: King County and Pierce County Departments of Assessments  
 Total assessed value for 2017: \$ 9,721,877,401  
 Total assessed value for 2008: \$ 6,556,690,000



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

2017				2008			
Sales Tax Received	Sector <sup>(1)</sup>	Rank	Percentage of Total City Sales Taxes Received	Sales Tax Received	Sector <sup>(1)</sup>	Rank	Percentage of Total City Sales Taxes Received
\$ 554,111	Automotive	1	3.2%	\$ 401,376	Automotive	1	3.1%
451,249	General Retail	2	2.6%	388,323	Distribution	2	2.4%
419,874	Construction	3	2.4%	340,904	Automotive	3	2.2%
376,034	Automotive	4	2.1%	332,807	General Retail	4	2.1%
362,387	Manufacturing	5	2.1%	296,036	General Retail	5	2.0%
355,149	Automotive	6	2.0%	281,174	General Retail	6	1.9%
317,615	Automotive	7	1.8%	269,511	Automotive	7	1.5%
303,791	General Retail	8	1.7%	253,829	Manufacturing	8	1.4%
287,314	Automotive	9	1.6%	236,397	General Retail	9	1.4%
284,913	Automotive	10	1.6%	207,144	General Retail	10	1.4%
<b>\$ 3,712,437</b>			<b>21.1%</b>	<b>\$ 3,007,501</b>			<b>19.4%</b>

Source: Washington State Department of Revenue

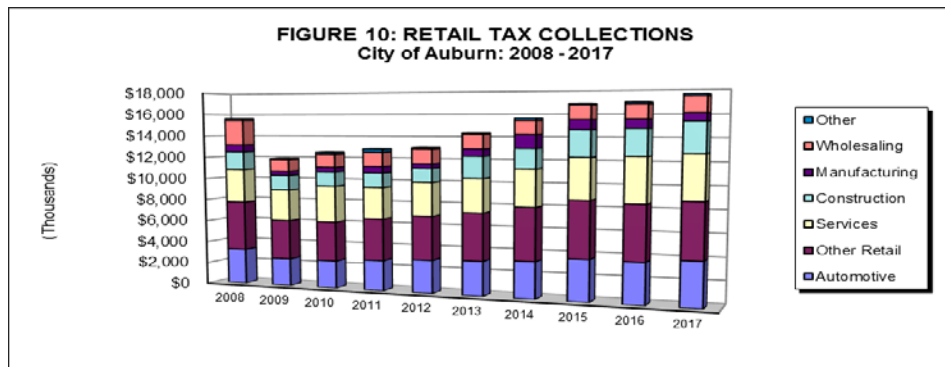
(1) It is illegal to disclose specific taxpayer sales tax information, so the above information is being provided without identification.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>RETAIL TRADE SECTOR</b>										
Automotive/gas	\$ 3,255	\$ 2,559	\$ 2,553	\$ 2,785	\$ 3,019	\$ 3,136	\$ 3,309	\$ 3,707	\$ 3,659	\$ 3,972
Furniture	241	220	194	218	226	235	254	254	185	197
Electronics & appliances	242	132	121	127	145	174	237	295	221	211
Building materials	521	358	389	383	425	447	502	590	579	580
Food stores	360	352	354	331	341	335	353	368	397	369
Health & personal care	152	150	144	148	149	174	188	221	284	369
Apparel	873	781	752	754	772	889	1,009	1,080	1,136	1,119
General merchandise	872	833	801	968	967	974	955	988	1,018	993
Misc. retail trade	1,234	755	834	851	897	990	1,182	1,193	1,032	1,033
<b>Subtotal - Retail Trade</b>	<b>7,750</b>	<b>6,140</b>	<b>6,142</b>	<b>6,566</b>	<b>6,943</b>	<b>7,354</b>	<b>7,989</b>	<b>8,695</b>	<b>8,512</b>	<b>8,843</b>
<b>SERVICE SECTOR</b>										
Information	\$ 489	\$ 457	\$ 979	\$ 481	\$ 396	\$ 446	\$ 487	\$ 526	\$ 630	\$ 662
Finance & insurance	85	83	68	66	53	91	88	95	111	122
Real estate, rental, leasing	394	304	288	304	326	279	315	334	359	368
Professional, scientific, technical	146	200	191	175	173	184	216	195	238	239
Administrative, supply & remediation services	261	261	239	295	334	336	350	383	329	276
Educational	91	42	56	53	54	50	49	60	50	56
Healthcare & social services	98	61	37	41	115	33	66	82	92	75
Arts & entertainment	171	147	154	149	153	149	158	208	156	110
Accommodation & food service	915	827	806	839	921	979	1,067	1,159	1,218	1,276
Other services	457	485	493	482	530	507	526	603	788	728
<b>Subtotal - Services</b>	<b>3,107</b>	<b>2,867</b>	<b>3,310</b>	<b>2,882</b>	<b>3,056</b>	<b>3,054</b>	<b>3,322</b>	<b>3,646</b>	<b>3,970</b>	<b>3,912</b>
<b>OTHER SECTORS</b>										
Construction	\$ 1,647	\$ 1,368	\$ 1,322	\$ 1,296	\$ 1,221	\$ 1,943	\$ 1,754	\$ 2,297	\$ 2,292	\$ 2,632
Manufacturing	643	383	411	583	405	624	1,163	862	761	678
Transportation	76	31	29	77	55	46	71	66	99	89
Wholesaling	2,306	1,073	1,180	1,260	1,297	1,279	1,205	1,229	1,265	1,363
Other business	72	47	128	224	61	64	120	72	67	65
<b>Subtotal - Other</b>	<b>4,744</b>	<b>2,902</b>	<b>3,071</b>	<b>3,439</b>	<b>3,038</b>	<b>3,956</b>	<b>4,312</b>	<b>4,525</b>	<b>4,485</b>	<b>4,827</b>
<b>GRAND TOTAL</b>	<b>\$ 15,601</b>	<b>\$ 11,909</b>	<b>\$ 12,523</b>	<b>\$ 12,887</b>	<b>\$ 13,037</b>	<b>\$ 14,364</b>	<b>\$ 15,623</b>	<b>\$ 16,866</b>	<b>\$ 16,967</b>	<b>\$ 17,582</b>
<b>OVERLAPPING SALES TAX RATES</b>										
<b>Basic sales tax rates</b>										
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	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Regional Transit Authority	0.40%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	1.40%
Metro	0.90%	0.90%	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%
<b>Total basic sales tax rate</b>	<b>9.00%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>10.00%</b>
<b>Special sales tax rates</b>										
Restaurants-for stadium funding <sup>(1)</sup>	0.50%	0.50%	0.50%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Motor vehicles	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

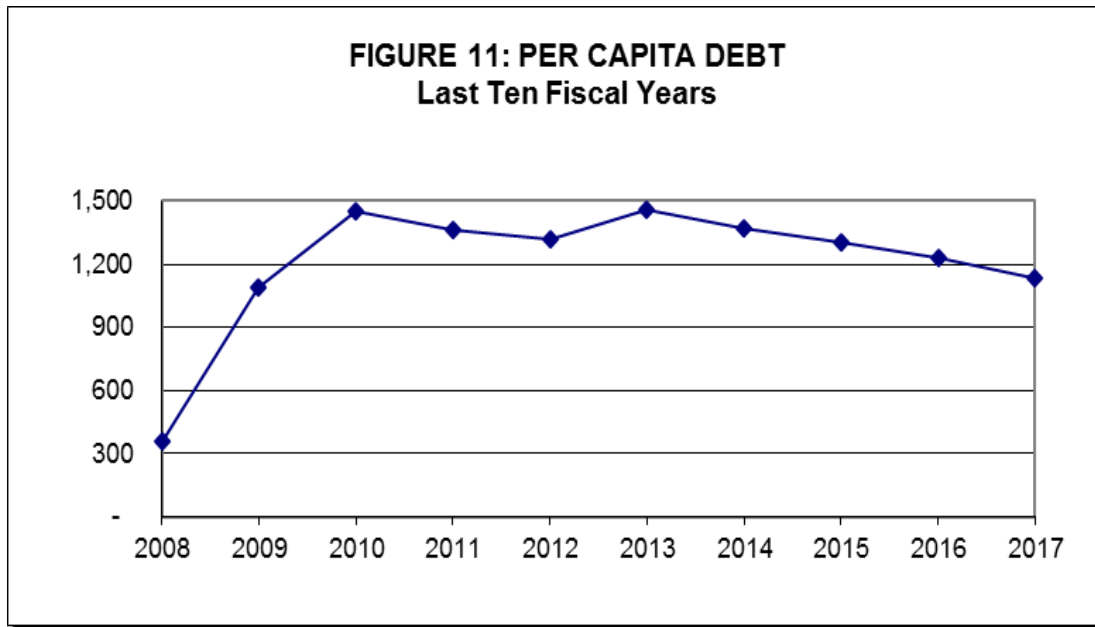


City of Auburn, Washington  
**SCHEDULE 11**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Revenue Bonds	Public Works Trust Fund Loans			
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
2015	55,094,519	-	569,773	31,304,378	11,650,644	98,619,314	4.85%	1,305.44
2016	54,245,944	-	476,635	28,545,000	11,412,188	94,679,767	4.48%	1,228.65
2017	50,766,661	-	382,914	28,161,699	10,394,433	89,705,707	4.07%	1,136.09

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, 2017

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Spaces	Utility Purpose	
December 31, 2017 - Total Assessed Value:					
\$	10,559,150,607				
2.5% of Assessed Value	\$ -	\$ 263,978,765	\$ 263,978,765	\$ 263,978,765	\$ 791,936,295
1.5% of Assessed Value	158,387,259	(158,387,259)	-	-	-
Statutory Debt Limit	158,387,259	105,591,506	263,978,765	263,978,765	791,936,295
Debt Outstanding	54,208,225	-	-	-	54,208,225
Net Debt Outstanding	54,208,225	-	-	-	54,208,225
Remaining Debt Capacity	<u>\$104,179,034</u>	<u>\$ 105,591,506</u>	<u>\$ 263,978,765</u>	<u>\$ 263,978,765</u>	<u>\$ 737,728,070</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 653,979	\$ 577,669	\$ 565,822	\$ 539,989	\$ 518,188	\$ 546,602	\$ 617,872	\$ 661,996	\$ 716,628	\$ 791,936
Total net debt applicable to limit	10,771	62,671	66,868	65,364	63,815	64,047	61,892	59,409	57,152	54,208
Legal debt margin	<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>	<u>\$ 602,588</u>	<u>\$ 659,476</u>	<u>\$ 737,728</u>
Total net debt applicable to the limit as a percentage of debt limit	1.65%	10.85%	11.82%	12.10%	12.32%	11.72%	10.02%	8.97%	7.98%	6.85%

City of Auburn, Washington  
**SCHEDULE 14**  
**COMPUTATION OF NET DIRECT AND ESTIMATED OVERLAPPING DEBT**  
As of December 31, 2017

	Net Debt Outstanding	Percent Applicable <sup>(3)</sup>	Bonded Amount Applicable
<b>Net direct debt:</b>			
Net direct debt - City of Auburn <sup>(1)</sup>			\$ 54,478,798
<b>Estimated net overlapping debt:</b> <sup>(2)</sup>			
King County	\$ 736,346,000	1.82%	\$ 13,401,497
Port of Seattle	388,360,000	1.82%	7,068,152
School District No. 210	189,527,698	2.79%	5,287,823
School District No. 408	216,440,000	78.34%	169,559,096
School District No. 415	102,559,482	1.27%	1,302,505
Rural Library District	89,230,000	3.18%	2,837,514
Valley Regional Fire Authority	12,570,000	90.21%	11,339,397
Pierce County	124,025,000	1.00%	1,240,250
Total estimated net overlapping debt			<u>212,036,234</u>
Total direct and overlapping debt			<u>\$ 266,515,032</u>

## Sources:

- (1) Includes both bonded and non bonded debt related to government activities. From Sch. 9 Changes in LT Liabilities  
(2) Overlapping governments  
(3) King County Assessors office and Pierce County Assessors office.

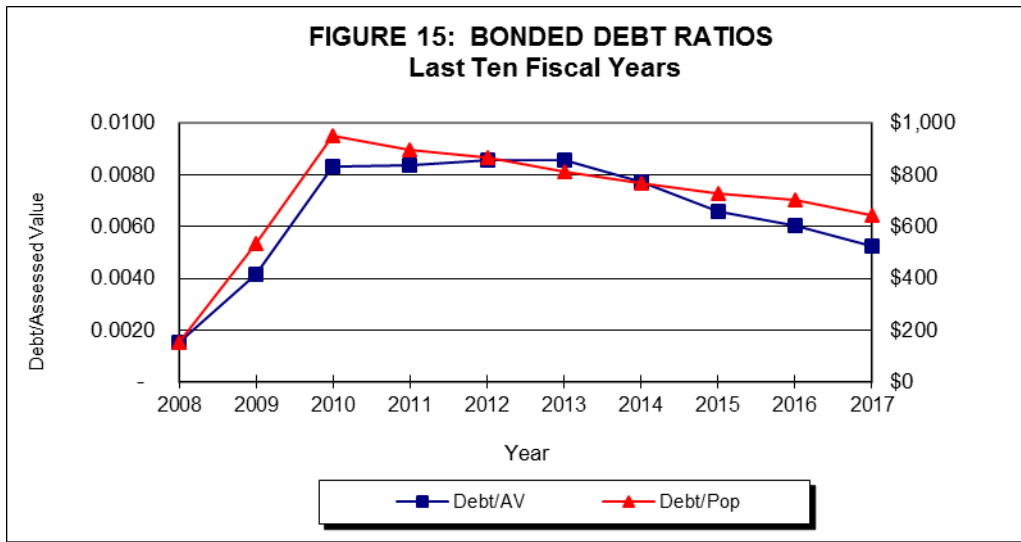
Calculation of overlapping debt: applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Auburn.

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

Fiscal Year	Population	Assessed Value <sup>(1)</sup> (Thousands)	Net Bonded Debt <sup>(2)</sup>	Debt Service Amount <sup>(3)</sup> Available	Net Bonded Debt (Thousands)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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
2015	75,545	8,366,653	55,094,519	-	55,095	0.66%	729
2016	77,060	8,967,119	54,245,944	-	54,246	0.60%	704
2017	78,960	9,721,877	50,766,661	-	50,767	0.52%	643

Notes:

- (1) From Schedule 6
- (2) General Obligation Debt related to government activities, from Schedule 11.
- (3) Fund balance from debt service fund.





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

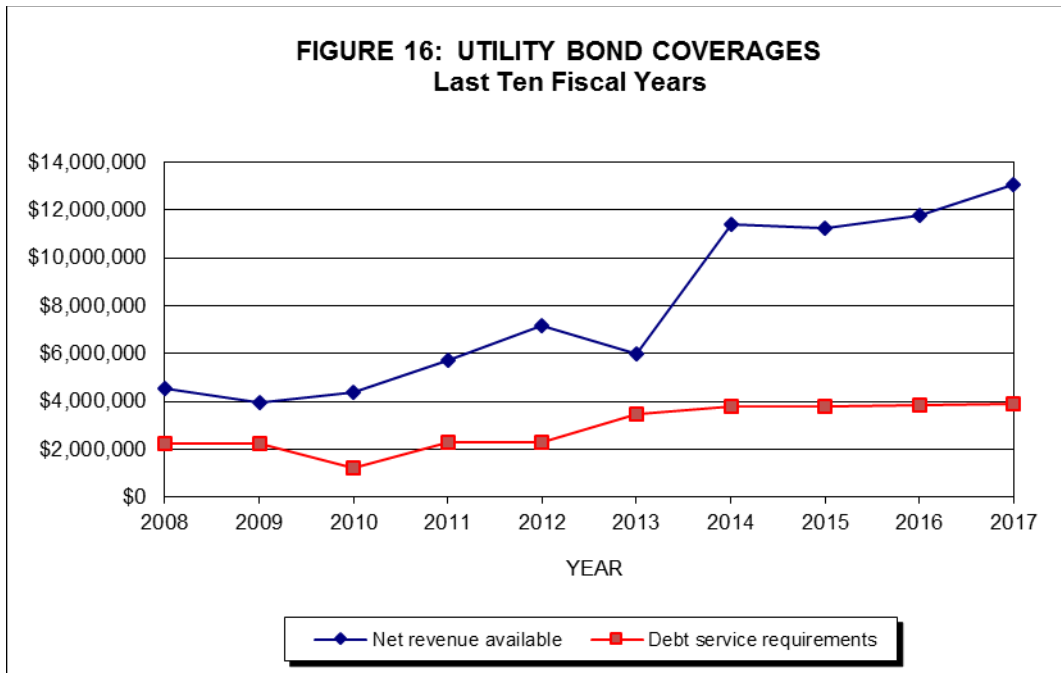
Year	Gross <sup>(1)</sup> Revenue	Direct <sup>(2)</sup> Operating Expense	Net Revenue Available	Debt Service Requirements			Times Coverage
				Principal	Interest	Total <sup>(3)</sup>	
2008	\$ 27,665,498	\$ 23,149,802	\$ 4,515,696	\$ 1,942,938	\$ 279,765	\$ 2,222,703	2.03
2009	31,265,941	27,314,611	3,951,330	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
2015	49,673,159	38,425,799	11,247,360	2,231,093	1,563,433	3,794,526	2.96
2016	50,385,548	38,614,719	11,770,829	2,326,117	1,523,830	3,849,947	3.06
2017	51,771,171	38,726,814	13,044,357	2,422,369	1,494,706	3,917,075	3.33

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.

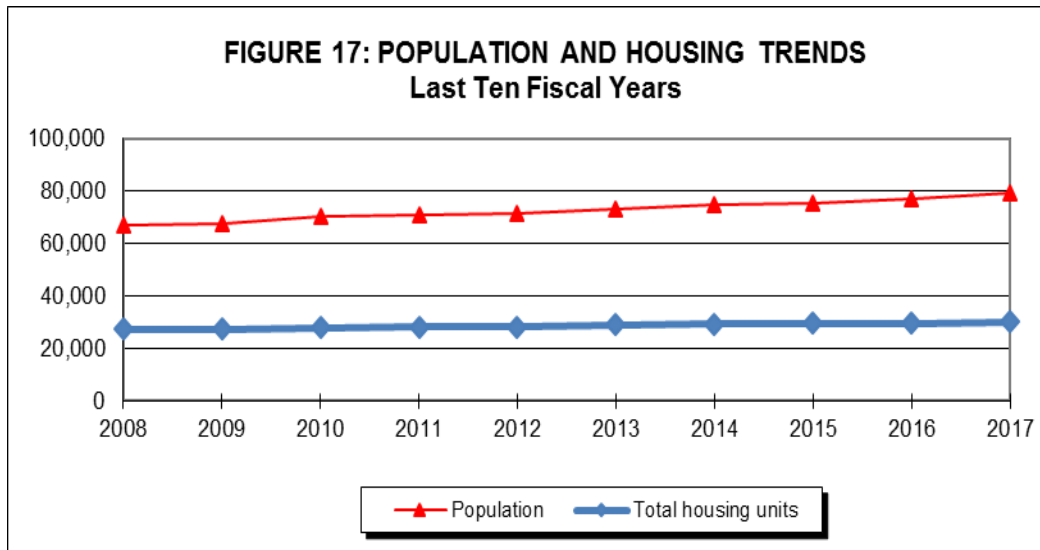


City of Auburn, Washington  
**SCHEDULE 17**  
**POPULATION, INCOME AND HOUSING TRENDS**  
 Last Ten Fiscal Years

Item	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
School enrollment <sup>(1)</sup>	14,703	14,589	14,482	14,363	14,596	14,971	15,277	15,663	15,945	16,344
Rate of unemployment <sup>(2)</sup>	5.5%	9.5%	9.6%	8.7%	7.5%	5.9%	5.3%	4.8%	4.4%	4.3%
Population <sup>(3)</sup>	67,005	67,485	70,180	70,705	71,240	73,235	74,630	75,545	77,060	78,960
Personal income (thousands of dollars) <sup>(4)</sup>	\$ 2,024,087	\$ 1,989,660	\$ 1,900,474	\$ 1,901,540	\$ 1,871,973	\$ 1,917,219	\$ 2,000,606	\$ 2,033,520	\$ 2,111,829	\$ 2,206,142
Per capita personal income <sup>(4)</sup>	\$ 30,208	\$ 29,483	\$ 27,080	\$ 26,894	\$ 26,277	\$ 26,179	\$ 26,807	\$ 26,918	\$ 27,405	\$ 27,940
Housing units <sup>(5)</sup>										
One unit	14,186	14,235	14,641	14,775	14,957	15,393	15,804	16,042	16,167	16,373
Two or more	10,375	10,391	10,560	10,592	10,631	10,841	10,841	10,847	10,854	11,110
Mobile home or special	2,761	2,782	2,633	2,635	2,618	2,630	2,631	2,637	2,630	2,675
Total housing units	27,322	27,408	27,834	28,002	28,206	28,864	29,276	29,526	29,651	30,158

Sources:

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



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

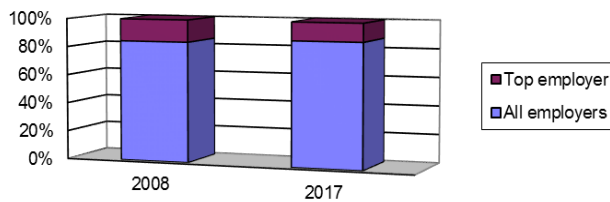
Employer	Product/service	2017			2008		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Boeing Company	Aerospace	5,750	1	27.2%	5,000	1	32.8%
Muckleshoot Tribal Enterprises	Gaming	3,306	2	15.6%	2,200	2	14.4%
The Outlet Collection*	Retail	3,150	3	14.9%	1,700	4	11.1%
Auburn School District	Education	2,886	4	13.6%	1,800	3	11.8%
Multicare Auburn Medical Center**	Hospital	1,638	5	7.7%	805	7	5.3%
Green River Community College	Education	1,202	6	5.7%	1,067	5	7.0%
Emerald Downs Racetrack	Horse racing	1,196	7	5.6%	678	8	4.4%
Safeway Distribution Center	Distribution Center	847	8	4.0%	900	6	5.9%
Zones, Inc.	Technology reseller	645	9	3.0%	500	10	3.3%
Skills, Inc	Manufacturing	550	10	2.6%			0.0%
Social Security Administration	Gov't / public offices			0.0%	600	9	3.9%
<b>TOTALS</b>		<b>21,170</b>		<b>100.0%</b>	<b>15,250</b>		<b>100.0%</b>

Sources: WA Employment Security Department  
 2017 - City of Auburn, Economic Development  
 2008 - City of Auburn

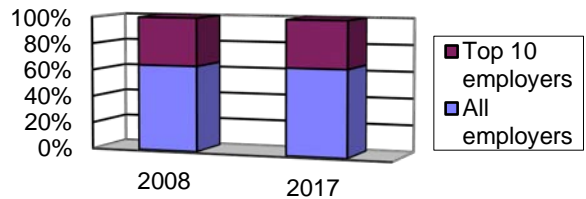
\* Previously The Super Mall

\*\*Previously Auburn Regional Medical Center.

**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

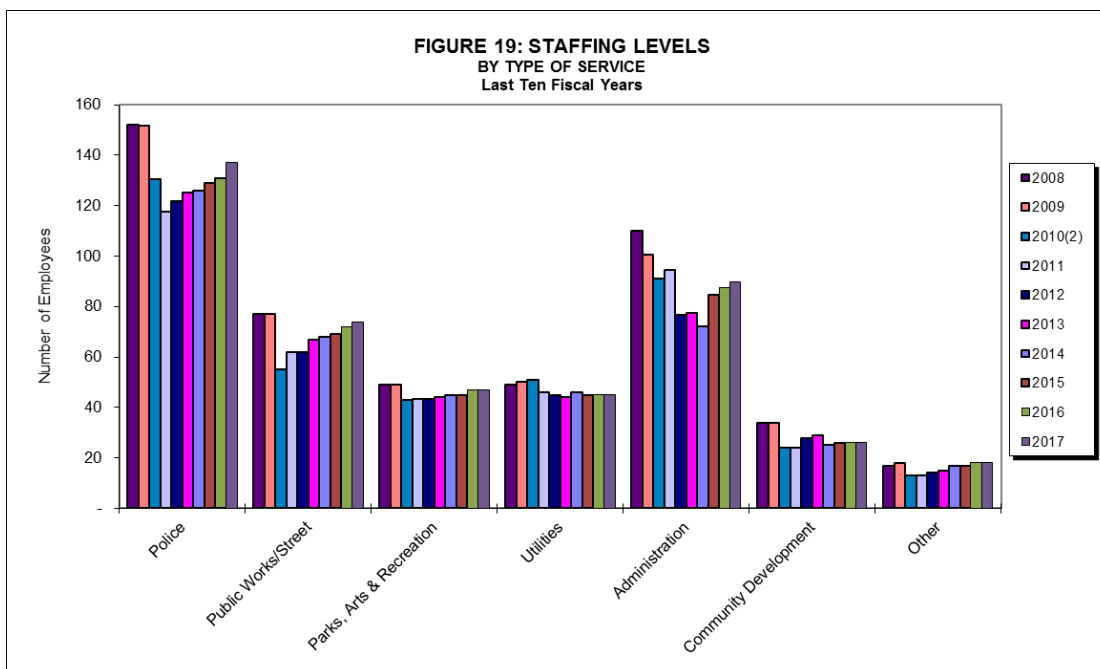


City of Auburn, Washington  
**SCHEDULE 19**  
**STAFFING LEVELS BY DEPARTMENT**  
 Last Ten Fiscal Years

Department	2008	2009	2010(2)	2011	2012	2013	2014	2015	2016	2017
Mayor	12	12	10	10	7	7	3	3	3	3
Administration <sup>(4)</sup>	-	-	-	-	-	-	8	8	10	11
Human Resources	18	9	7	7	8	8	8	8	9	8
Finance	25	25	21	22	22	23	23	22	22	22
Municipal Court <sup>(3)</sup>	21	21	17	19	-	-	-	-	-	-
Legal	16	16	13	13	13	13	14	14	14	15
Community Development <sup>(5)</sup>	34	34	24	24	28	29	25	26	26	26
Police	152	152	131	118	122	125	126	129	131	137
Public Works	63	63	43	43	43	48	49	50	53	54
Parks, Arts and Recreation <sup>(6)</sup>	40	40	35	36	36	36	45	45	47	47
Street	14	14	12	19	19	19	19	19	19	20
Water	20	20	22	22	22	22	24	23	23	23
Sewer	11	11	11	12	11	10	10	10	10	10
Storm Drainage	16	17	16	10	10	10	10	10	10	10
Solid Waste	2	2	2	2	2	2	2	2	2	2
Cemetery	7	7	7	7	7	5	5	5	6	6
Golf Course <sup>(6)</sup>	9	9	8	8	8	8	-	-	-	-
Facilities <sup>(1)</sup>	-	10	10	10	9	9	9	10	10	10
Multi-Media <sup>(7)</sup>	-	-	-	-	-	-	4	4	4	4
Innovation & Technology	18	18	14	14	18	18	15	16	16	17
Equipment Rental	10	11	6	6	7	10	12	12	12	12
<b>TOTAL</b>	<b>488</b>	<b>490</b>	<b>408</b>	<b>401</b>	<b>391</b>	<b>402</b>	<b>411</b>	<b>416</b>	<b>427</b>	<b>437</b>

Source: City of Auburn Finance Department

- (1) Facilities Division was previously included in the Human Resources Department prior to the creation of a new Internal Service fund in 2009.
- (2) Due to the economic downturn, the City eliminated 82.5 of the total 490 positions in 2010.
- (3) In 2012, the City contracted out the Municipal Court to the King County District Court - resulting in a reduction of 19 positions.
- (4) In 2014 the Administration Department was created and consisted 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, and Human Services and Community Programs.
- (5) In 2014 the Planning Department was renamed Community Development.
- (6) 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.
- (7) 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 report to the Director of Administration.



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Planning</b>										
Commercial permits	95	112	18	38	24	32	64	52	79	37
Commercial construction value (\$1,000's)	\$ 22,887	\$ 58,896	\$ 8,386	\$ 10,904	\$ 13,219	\$ 28,357	\$ 35,786	\$ 36,289	\$ 74,887	\$ 48,157
Residential permits	165	85	184	229	461	464	374	253	242	178
Residential construction value (\$1,000's)	\$ 27,048	\$ 15,739	\$ 36,602	\$ 43,574	\$ 98,212	\$ 96,248	\$ 83,007	\$ 62,043	\$ 68,997	\$ 54,132
<b>Police</b>										
Crimes:										
Arson	24	19	23	29	27	14	32	-	-	19
Aggravated Assault	154	163	137	148	110	145	156	186	179	198
Burglary	630	590	725	757	983	651	810	851	727	722
DUI	194	193	192	214	171	138	126	188	158	194
Homicide	-	3	3	2	6	5	1	8	6	3
Narcotics	439	440	442	396	383	279	458	511	458	742
Rape	14	13	15	23	23	26	31	31	36	49
Robbery	102	92	79	107	110	109	104	91	98	117
Theft	2,343	2,362	2,533	2,435	2,415	2,583	3,192	2,728	2,235	2,169
Theft - motor vehicle	639	370	569	600	588	678	630	996	1,159	969
Traffic:										
Non-criminal	6,794	7,788	7,182	5,400	4,922	5,378	6,520	5,489	5,706	11,483
Parking	3,740	4,026	4,648	3,383	1,946	2,052	5,238	3,737	3,822	3,777
<b>Parks and Recreation</b>										
Athletic teams	416	428	439	429	388	382	358	321	328	306
Recreation activities	2,056	2,335	2,281	3,462	3,833	3,568	3,557	3,511	2,435	3,389
Golf course rounds	54,993	50,572	49,950	45,484	45,704	47,480	47,697	52,718	48,803	47,001
Senior center visits	36,805	41,032	41,350	41,802	40,704	36,991	40,715	38,485	36,636	35,454
Cultural activities	84	90	101	127	146	180	202	204	203	214
Museum audience served	11,921	11,835	12,570	14,119	15,397	14,163	13,968	13,535	14,380	13,570
Cemetery placements	289	232	228	273	259	226	250	237	281	264

Sources: Various city departments

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General City</b>										
Total area (square miles)	30.0	30.1	30.1	30.2	30.2	30.2	30.2	30.2	30.2	30.2
<b>Public Works</b>										
Miles of streets	272	276	283	285	249	245	244	254	238	238
Number of streetlights	5,074	5,392	5,523	5,581	6,101	6,110	6,211	6,362	6,552	6,581
Number of traffic signals	83	85	86	89	93	94	94	95	95	95
<b>Utilities</b>										
Number of services	13,050	13,076	13,372	13,334	13,863	14,106	14,573	14,787	14,872	14,746
Miles of water lines	283	293	297	304	314	315	316	320	321	323
Miles of sanitary sewer lines	205	207	213	213	219	220	220	223	224	225
Miles of storm lines	197	204	226	247	252	263	282	294	319	337
Number of fire hydrants	2,969	2,998	3,044	3,277	3,308	3,329	3,559	3,580	3,577	3,595
<b>Public Safety</b>										
Number of police stations	2	2	2	2	2	2	2	2	3	3
<b>Parks and Recreation</b>										
Total park acreage <sup>(1)</sup>	598	602	602	602	630	635	972	977	988.7	986
Number of softball/baseball field:	19	18	18	18	17	17	18	18	18	18
Number of soccer/football fields	3	3	3	3	3	4	4	4	4	4
Number of playgrounds	32	33	35	35	35	36	28	31	31	30

Sources: Various city departments

(1) 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Water Customers by Class</b>										
Single Family Residential	10,493	10,535	10,564	10,704	11,224	11,476	11,822	11,973	12,054	12,010
Multifamily	961	985	991	991	989	986	1,000	1,003	1,002	1,009
Commercial	1,098	1,083	1,100	1,095	1,098	1,094	1,146	1,190	1,186	1,158
Mfr./Industrial	39	38	38	38	37	37	38	38	37	2
Schools	39	37	37	37	36	37	37	37	38	37
City Accounts	30	27	29	28	26	28	30	30	31	31
Irrigation	383	363	401	434	446	441	493	509	517	492
Total Retail Water Customers	13,043	13,068	13,160	13,327	13,856	14,099	14,566	14,780	14,865	14,739
Wholesale Water Customers	7	8	8	7	7	7	7	7	7	7
<b>Sewer Customers by Class</b>										
Single Family Residential	10,698	10,711	10,918	11,183	11,522	11,982	12,631	12,890	13,091	13,124
Non-single Family Residential	2,604	2,605	2,612	2,616	2,653	2,659	2,713	2,728	2,725	2,724
Total Sewer Customers	13,302	13,316	13,530	13,799	14,175	14,641	15,344	15,618	15,816	15,848
<b>Storm Customers by Class</b>										
Single Family Residential	14,374	14,441	14,495	14,846	15,168	15,618	16,013	16,222	16,200	16,566
Non-single Family Residential	1,623	1,650	1,769	1,653	1,661	1,640	1,670	1,679	1,913	1,671
Total Storm Customers	15,997	16,091	16,264	16,499	16,829	17,258	17,683	17,901	18,113	18,237

Sources: City of Auburn - Utility Billing