

**CITY OF AUBURN, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the City of Auburn  
Auburn, Georgia

### **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 remaining fund information of the City of Auburn, Georgia, (City) as of and for the year ended September 30, 2016, 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 entity'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 entity'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.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Notes 4.M. and 2.A., the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

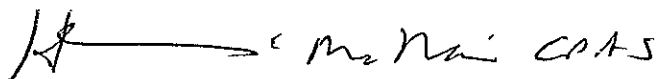
## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information in section A and D respectfully, 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, 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. 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.



Hawkins & McNair, CPAs  
Winder, Georgia  
March 31, 2017

**City of Auburn, Georgia**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended September 30, 2016**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Auburn, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government. Unless otherwise noted component units, related organization and joint ventures reported separately from the primary government are not included.

### Financial Highlights

The City of Auburn (City), Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The City's assets exceeded its liabilities by \$11,700,016 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$11,187,845.

Total net position is comprised of the following:

- (1) Net investment in Capital Assets of \$9,174,904 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net position of \$675,699 is restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net position of \$1,849,413 represents the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$1,678,709 this year. This compares to the prior year ending fund balance of \$1,699,330 showing a decrease of \$20,621 during the current year. Unassigned fund balance of \$944,859 for fiscal year 2016 shows a \$144,040 increase over the prior year.

At the end of the fiscal year, unassigned fund balance for the General Fund was \$944,859 or 30.7 % of total General Fund expenditures and 31.5% of total General Fund revenues.

Total liabilities of the City increased by \$616,452 to \$4,637,098 during the fiscal year. The City incurred additional interim financing through GEFA for planning and design costs associated with a city reservoir in the amount of \$583,993 and issued new debt to purchase police vehicles in the amount of \$116,000 and land in the amount of \$342,813.

## Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

### *Government-wide Financial Statements*

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors, such as diversification of the taxpayer base or the condition of the City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, planning & zoning, public safety and public works. Business-type activities include water and sewer system, stormwater utilities and transit system. Fiduciary activities, such as employee pension plans, are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). The city had no reportable component units. Other organizations such as related organizations and joint ventures are reported separately and are not included in the City's overall reporting entity.



### *Fund Financial Statements*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in a later section of this report.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the difference between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for the special revenue fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final, revised budgets.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City utilizes only enterprise funds. Enterprise funds essentially encompass the same functions as reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as electric, gas and water utilities and solid waste disposal and management.

Proprietary fund statements and statements for discretely presented component units (reporting that is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. The city had no component units or internal service funds.

*Fiduciary funds* such as employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. The City's only fiduciary funds are employee pension funds and financial statements are reported appropriately and separate from the City's financial statements.

**Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2016**

**City of Auburn, Georgia**

*Notes to the financial statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

*Other information*

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. Other supplementary information includes details by fund for receivables, payables, transfers, and payments within the reporting entity. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Individual statements and schedules for nonmajor funds are presented in a subsequent section of this report.

**Financial Analysis of the City as a Whole**

The City implemented the new financial reporting model used in this report at the beginning of the fiscal year October 1, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$11,700,016. This is a \$512,171 increase over the beginning year's net position of \$11,187,845. The following table provides a summary of the City's net position:

	Summary of Net Position (dollars are in thousands)							
	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2016	2015	2016	2015	2016	2015		
Current & other assets	\$1,731	\$1,973	\$1,198	\$1,197	\$2,929	\$3,170	(\$241)	-7.60%
Capital assets & def. outflows	7,715	6,798	5,719	5,275	13,434	12,073	1,361	11.27%
<b>Assets &amp; Deferred Outflows</b>	<b>\$9,446</b>	<b>\$8,771</b>	<b>\$6,917</b>	<b>\$6,472</b>	<b>\$16,363</b>	<b>\$15,243</b>	<b>\$1,120</b>	<b>7.35%</b>
Current & other liabilities	\$367	\$472	\$1,305	\$942	\$1,672	\$1,414	\$258	18.25%
Long-term & def. inflows	983	753	2,007	1,888	2,990	2,641	349	13.21%
<b>Liabilities &amp; Deferred Inflows</b>	<b>\$1,350</b>	<b>\$1,225</b>	<b>\$3,312</b>	<b>\$2,830</b>	<b>\$4,662</b>	<b>\$4,055</b>	<b>\$607</b>	<b>14.97%</b>
Net Position:								
Net Investment								
in Capital Assets	\$6,659	\$6,058	\$2,516	\$2,540	\$9,175	\$8,598	\$577	6.71%
Restricted	676	846	0	0	676	846	(170)	-20.09%
Unrestricted	761	642	1,089	1,102	1,850	1,744	106	6.08%
<b>Total Net Position</b>	<b>\$8,096</b>	<b>\$7,546</b>	<b>\$3,605</b>	<b>\$3,642</b>	<b>\$11,701</b>	<b>\$11,188</b>	<b>\$513</b>	<b>4.59%</b>

**Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2016**

**City of Auburn, Georgia**

The City reported positive balances in net position for both governmental and business-type activities. Net position increased \$549,220 for governmental activities and decreased \$37,049 for business-type activities. The City's overall financial position improved during fiscal year 2016.

Comparative data is accumulated to assist analysis. The following table provides a summary of the City's changes in net position:

**Summary of Changes in Net Position  
(dollars are in thousands)**

	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2016	2015	2016	2015	2016	2015		
<b>Revenues:</b>								
Program revenues:								
Charges for services	\$220	\$228	\$1,651	\$1,834	\$1,871	\$2,062	(\$191)	-9.26%
Operating grants & contributions					0	0	0	
Capital grants & contributions	726	614			726	614	112	18.24%
General Revenues:								
Sales & Use taxes	1,035	1,022			1,035	1,022	13	1.27%
Property taxes	812	710			812	710	102	14.37%
Franchise taxes	350	361			350	361	(11)	-3.05%
Alcohol Beverage taxes	80	84			80	84	(4)	-4.76%
Insurance Premium taxes	405	379			405	379	26	6.86%
Other taxes, Interest & Misc	112	159	2	0	114	159	(45)	-28.30%
<b>Total Revenues</b>	<b>\$3,740</b>	<b>\$3,557</b>	<b>\$1,653</b>	<b>\$1,834</b>	<b>\$5,393</b>	<b>\$5,391</b>	<b>\$2</b>	<b>0.04%</b>
<b>Expenses:</b>								
General Government	\$1,089	\$971			\$1,089	\$971	\$118	12.15%
Public Safety	1,633	1,487			1,633	1,487	146	9.82%
Public Works	441	418			441	418	23	5.50%
Interest	28	23			28	23	5	21.74%
Water & Sewer			\$1,612	\$1,479	1,612	1,479	133	8.99%
Stormwater			78	67	78	67	11	16.42%
<b>Total Expenses</b>	<b>\$3,191</b>	<b>\$2,899</b>	<b>\$1,690</b>	<b>\$1,546</b>	<b>\$4,881</b>	<b>\$4,445</b>	<b>\$436</b>	<b>9.81%</b>
Increase (decrease) in net position before transfers	\$549	\$658	(\$37)	\$288	\$512	\$946	(\$434)	-45.88%
Transfers					0	0	0	
<b>Change in Net Position</b>	<b>\$549</b>	<b>\$658</b>	<b>(\$37)</b>	<b>\$288</b>	<b>\$512</b>	<b>\$946</b>	<b>(\$434)</b>	<b>-45.88%</b>
Beginning net position	7,546	6,888	3,642	3,354	11,188	10,242	946	9.24%
<b>Ending net position</b>	<b>\$8,095</b>	<b>\$7,546</b>	<b>\$3,605</b>	<b>\$3,642</b>	<b>\$11,700</b>	<b>\$11,188</b>	<b>\$512</b>	<b>4.58%</b>

**GOVERNMENTAL REVENUES**

The City's governmental activities are heavily reliant on taxes to support governmental operations. Property taxes provided 19 percent, sales taxes provided 34 percent and other taxes provided 36 percent of the City's total governmental revenues. Program revenues, which included capital grants, covered 29 percent of governmental operating expenses. The City's taxpayers and other general revenues funded 71 percent of the governmental activities. Therefore the general economy and local business have a major impact on the City's revenue streams.

**GOVERNMENTAL FUNCTIONAL EXPENSES**

Total governmental activities costs for the current fiscal year were \$3,190,801. Of this amount, general government was \$1,088,622 (34%), public safety was \$1,633,469 (51%), and public works was \$440,696 (14%) of the total cost for services for fiscal year 2015-2016. Some of the costs were paid by programs revenues of \$945,961.

**BUSINESS-TYPE ACTIVITIES**

**Revenues vs. Costs**

**Fiscal Year Ended September 30, 2016**

	<u>Revenues</u>	<u>Expenses</u>
Water & Sewer System	\$1,546,645	\$1,612,349
Stormwater Utility	106,978	78,323

**Financial Analysis of the City's Funds**

***Governmental Funds***

As discussed, governmental funds are reported in the fund statements with a short-term, inflows and outflows of spendable resource focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$1,678,709. Of this year-end total, \$944,859 is unassigned indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show a decrease of \$20,621 from the prior year. This decrease is primarily the result of the events and programs described with the analysis of the City's governmental activities.

***Major Governmental Funds***

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$150,160. A key factor contributing to this was an increase in revenues.

The SPLOST Capital Projects Fund had a fund balance of \$671,756; which decreased \$168,426.

*Nonmajor Governmental Funds* - the Special Revenue Fund had a fund balance of \$3,943.

***Proprietary Funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Water & Sewer Fund net position decreased by \$65,704 from the prior year. The Stormwater Utility Fund net position increased \$28,655.

***Major Proprietary Funds***

The Water & Sewer Fund provides water to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water. The City's water & sewage utilities are reported within this activity in the government-wide statements.

**General Fund Budgetary Highlights**

The General Fund budget for fiscal year 2015-2016 was \$3,080,725. This was an increase of \$217,045 from the previous year budget.

**Capital Asset and Debt Administration**

***Capital assets***

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2016, were \$7,533,140 and \$5,718,590 respectively. Major capital asset additions by the City's governmental-type activities during the current year included infrastructure improvements in the amount of \$631,940 and the acquisition of land of \$410,659 and police vehicles of \$116,000. Expansion and improvements by the City's business-type activities in the amount of \$568,867 also contributed to changes in the City's investment in capital assets. See Note 4. D. for additional information about changes in capital assets during the fiscal year.

**Capital Assets**  
**Net of Accumulated Depreciation**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2016	2015	2016	2015	2016	2015		
<b>Non-Depreciable Assets:</b>								
Land	\$1,613	\$1,291	\$411	\$411	\$2,024	\$1,702	\$322	18.92%
Construction in Progress			997	481	997	481	516	
<b>Depreciable Assets:</b>								
Buildings	1,385	1,426			1,385	1,426	(41)	-2.88%
Distribution Systems			4,247	4,333	4,247	4,333	(86)	-1.98%
Vehicles & Equipment	350	326	64	49	414	375	39	10.40%
Infrastructure	4,185	3,644			4,185	3,644	541	14.85%
<b>Total</b>	<b>\$7,533</b>	<b>\$6,687</b>	<b>\$5,719</b>	<b>\$5,274</b>	<b>\$13,252</b>	<b>\$11,961</b>	<b>\$1,291</b>	<b>10.79%</b>

**Long-term debt**

At the end of the fiscal year, the City had total debt outstanding of \$3,230,971. Of this amount, \$129,000 is for compensated absences, capital leases payable totaled \$168,932, \$469,118 is a note payable for the public works facility, \$251,961 is a note payable for land purchase and \$3,186,814 is for water system expansion. See Note 4. G. for additional discussion.

**Bond Ratings**

The City had no bond debt.

**Outstanding Debt**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2016	2015	2016	2015	2016	2015		
Compensate Absences	\$101	\$93	\$28	\$32	\$129	\$125	\$4	3.20%
Capital Leases	153	71	16	21	169	92	77	83.70%
Notes Payable	721	557			721	557	164	29.44%
Notes Payable - GEFA			3,187	2,713	3,187	2,713	474	17.47%
<b>Total</b>	<b>\$975</b>	<b>\$721</b>	<b>\$3,231</b>	<b>\$2,766</b>	<b>\$4,206</b>	<b>\$3,487</b>	<b>\$719</b>	<b>20.62%</b>

**Economic Environment and Next Year's Budgets**

The City's elected officials considered many factors when adopting the fiscal year 2016-2017 budget. The City's tax rates and fees for business-type activities were predominate budget considerations. The City has low to moderate cost of living, relatively low unemployment and a stable economic environment. Infrastructure and recreation improvements are planned and are expected to be funded primarily with Special Purpose Local Option Sale Tax receipts.

For the fiscal year 2016-2017, the City Council approved a total budget of \$4.74 million. This budget includes operating and non-operating funds. The General Fund budget is budgeted for \$3,100,251, the Water & Sewer Fund is budgeted for \$1,535,475 and the Stormwater Utility Fund is budgeted for \$102,459. The City's budgets and relative fund balances are maintained in compliance with the City's adopted financial policies.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Clerk, at PO Box 1059, Auburn, Georgia 30011.

City of Auburn, Georgia  
Statement of Net Position  
As of September 30, 2016

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 756,300	\$ 1,060,463	\$ 1,816,763
Receivables - Taxes	20,848	-	20,848
Other taxes receivable	-	-	-
Other Accounts	47,282	125,876	173,158
Due from Other Governments	176,923	-	176,923
Prepaid Insurance	58,151	11,666	69,817
Restricted Current Assets			
Cash and cash equivalents	522,801	-	522,801
Due from Other Governments	148,955	-	148,955
Non-Current Assets			
Land and construction in progress	1,613,277	1,407,897	3,021,174
Other capital assets, net of accumulated depreciation	5,919,863	4,310,693	10,230,556
<b>TOTAL ASSETS</b>	<b>9,264,400</b>	<b>6,916,595</b>	<b>16,180,995</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	181,613	-	181,613
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>181,613</b>	<b>-</b>	<b>181,613</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	5,155	46,733	51,888
Refundable Deposits	-	34,250	34,250
Notes & Leases Payable - Current	214,073	1,195,539	1,409,612
Unearned Revenues	47,396	-	47,396
Compensated Absences	100,869	28,131	129,000
Non-Current Liabilities			
Net pension liability, due in more than one year	297,739	-	297,739
Notes & Leases Payable - Non-Current	659,912	2,007,301	2,667,213
<b>TOTAL LIABILITIES</b>	<b>1,325,144</b>	<b>3,311,954</b>	<b>4,637,098</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	25,494	-	25,494
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>25,494</b>	<b>-</b>	<b>25,494</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,659,155	2,515,749	9,174,904
Restricted - Capital Projects	671,756	-	671,756
Restricted - Health and Wellness	27	-	27
Restricted - Confiscated Assets	3,916	-	3,916
Unrestricted	760,521	1,088,892	1,849,413
<b>TOTAL NET POSITION</b>	<b>\$ 8,095,375</b>	<b>\$ 3,604,641</b>	<b>\$ 11,700,016</b>

See accompanying notes to financial statements.



City of Auburn, Georgia  
Statement of Activities  
For the Fiscal Year Ended September 30, 2016

	<u>Program Revenues</u>				Net (Expense) Revenue
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Functions/Programs</b>					
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 1,088,622	\$ 73,658	\$ -	\$ 501,486	\$ (513,478)
Public Safety	1,633,469	146,116	-	19,100	(1,468,253)
Public Works	440,696	-	-	205,601	(235,095)
Interest on long-term debt	28,014	-	-	-	(28,014)
<b>Total governmental activities</b>	<u>3,190,801</u>	<u>219,774</u>	<u>-</u>	<u>726,187</u>	<u>(2,244,840)</u>
Business-type activities:					
Water & Sewer	1,612,349	1,543,924	-	-	(68,425)
Stormwater	78,323	106,978	-	-	28,655
<b>Total business-type activities</b>	<u>1,690,672</u>	<u>1,650,902</u>	<u>-</u>	<u>-</u>	<u>(39,770)</u>
<b>Total primary government</b>	<u>\$ 4,881,473</u>	<u>\$ 1,870,676</u>	<u>\$ -</u>	<u>\$ 726,187</u>	<u>\$ (2,284,610)</u>

See accompanying notes to financial statements.

**City of Auburn**  
**Statement of Activities (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Change in Assets:</b>			
<b>Net (expense) revenue</b>	\$ (2,244,840)	\$ (39,770)	\$ (2,284,610)
<b>General revenues:</b>			
Taxes:			
Sales & Use Taxes - Local Option	1,034,977	-	1,034,977
Property Taxes	812,159	-	812,159
Franchise taxes	350,170	-	350,170
Alcoholic Beverage Taxes	80,357	-	80,357
Insurance Premium Taxes	405,072	-	405,072
Other taxes	25,760	-	25,760
Interest & Investment Earnings	1,684	2,721	4,405
Sales of capital assets	10,000	-	10,000
Miscellaneous	73,881	-	73,881
<b>Total general revenues</b>	<u>2,794,060</u>	<u>2,721</u>	<u>2,796,781</u>
<b>Change in net position</b>	<b>549,220</b>	<b>(37,049)</b>	<b>512,171</b>
<b>Net position—beginning</b>	<u>7,546,155</u>	<u>3,641,690</u>	<u>11,187,845</u>
<b>Net position—ending</b>	<u>\$ 8,095,375</u>	<u>\$ 3,604,641</u>	<u>\$ 11,700,016</u>

See accompanying notes to financial statements.

City of Auburn, Georgia  
Balance Sheet -- Governmental Funds  
As of September 30, 2016

	General	SPLOST Funds	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 752,357	\$ 522,801	\$ 3,943	\$ 1,279,101
Receivables - Taxes	20,848	-	-	20,848
Other Accounts	47,282	-	-	47,282
Due From Other Governments	176,923	148,955	-	325,878
Prepaid Insurance	58,151	-	-	58,151
Interfund Balances	-	-	-	-
<b>Total assets</b>	<b><u>1,055,561</u></b>	<b><u>671,756</u></b>	<b><u>3,943</u></b>	<b><u>1,731,260</u></b>
<b><u>LIABILITIES</u></b>				
Accounts Payable	5,155	-	-	5,155
Unearned Revenues	47,396	-	-	47,396
Accrued Vacation Pay	100,869	-	-	100,869
<b>Total liabilities</b>	<b><u>153,420</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>153,420</u></b>
<b><u>FUND BALANCES</u></b>				
Non-spendable	58,151	-	-	58,151
Unassigned - General Fund	843,990	-	-	843,990
Restricted - SPLOST Fund	-	671,756	-	671,756
Restricted - Health and Wellness	-	-	27	27
Restricted - Confiscated Assets	-	-	3,916	3,916
<b>Total fund balances</b>	<b><u>902,141</u></b>	<b><u>671,756</u></b>	<b><u>3,943</u></b>	<b><u>1,577,840</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,055,561</u></b>	<b><u>\$ 671,756</u></b>	<b><u>\$ 3,943</u></b>	<b><u>\$ 1,731,260</u></b>

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE  
SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
September 30, 2016

CITY OF AUBURN, GEORGIA

Total fund balance - total governmental funds \$ 1,577,840

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 are not reported in the funds.

Capital assets (cost)	\$ 10,503,800	
Less accumulated depreciation	<u>(2,970,660)</u>	7,533,140

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Notes payable	(873,985)	
Net pension liability	<u>(297,739)</u>	(1,171,724)

Deferred outflows of resources:

Pension related items	181,613	
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Deferred inflows of resources:

Pension related items	<u>(25,494)</u>	<u>156,119</u>
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Net position of governmental activities. \$ 8,095,375

See accompanying notes to financial statements.

City of Auburn, Georgia  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances--  
Governmental Funds  
Year Ended September 30, 2016

	General	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>				
Taxes	\$ 2,708,495	\$ -	\$ -	\$ 2,708,495
Licenses and Permits	73,658	-	-	73,658
Fines and Forfeitures	143,272	-	2,844	146,116
Interest Income	1,499	185	-	1,684
Intergovernmental	-	723,187	3,000	726,187
Miscellaneous	73,881	-	-	73,881
<b>Total revenues</b>	<b><u>3,000,805</u></b>	<b><u>723,372</u></b>	<b><u>5,844</u></b>	<b><u>3,730,021</u></b>
<b><u>EXPENDITURES</u></b>				
Current Operations				
General government	1,005,915	-	3,992	1,009,907
Public Safety	1,554,559	-	2,000	1,556,559
Public Works	362,013	-	-	362,013
Capital Outlay				
General Government	-	985,492	-	985,492
Public Safety	116,000	-	2,207	118,207
Public Works	-	53,085	-	53,085
Debt Service				
General government	7,168	90,852	-	98,020
Public Safety	31,859	17,821	-	49,680
Public Works	-	87,361	-	87,361
<b>Total expenditures</b>	<b><u>3,077,514</u></b>	<b><u>1,234,611</u></b>	<b><u>8,199</u></b>	<b><u>4,320,324</u></b>
<b>Revenues Over (Under) Expenditures</b>	<b>(76,709)</b>	<b>(511,239)</b>	<b>(2,355)</b>	<b>(590,303)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Capital Lease Proceeds	116,000	-	-	116,000
Sale of Fixed Assets	10,000	-	-	10,000
Loan Proceeds	-	342,813	-	342,813
<b>Total Other Financing Sources (Uses)</b>	<b><u>126,000</u></b>	<b><u>342,813</u></b>	<b><u>-</u></b>	<b><u>468,813</u></b>
<b>Net change in fund balances</b>	<b>49,291</b>	<b>(168,426)</b>	<b>(2,355)</b>	<b>(121,490)</b>
<b>Fund balances, beginning</b>	<b><u>852,850</u></b>	<b><u>840,182</u></b>	<b><u>6,298</u></b>	<b><u>1,699,330</u></b>
<b>Fund balances, ending</b>	<b><u>\$ 902,141</u></b>	<b><u>\$ 671,756</u></b>	<b><u>\$ 3,943</u></b>	<b><u>\$ 1,577,840</u></b>

See accompanying notes of financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2016

CITY OF AUBURN, GEORGIA

Net change in fund balances - total governmental funds \$ (121,490)

Amounts reported for *governmental activities* in the statement of activities are different because:

Disposal of capital asset is not reported in the governmental funds (88,652)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and depreciation differ in the current period.

Capital Outlay	1,158,598	
Depreciation	<u>(223,704)</u>	934,894

Proceeds from debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Issuance of Capital Leases	(116,000)	
Loan Proceeds	<u>(342,813)</u>	(458,813)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.

Capital Leases	34,382	
Notes Payable	<u>179,182</u>	213,564

Compensated absences reported in the statement of net position do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Compensated Absences		92,675
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Changes in Pension Activity items:

Deferred Outflows	70,214	
Deferred Inflows	8,178	
Net Pension Liability	<u>(101,350)</u>	<u>(22,958)</u>

Change in net position of governmental activities. \$ 549,220

See accompanying notes to financial statements.

**City of Auburn, Georgia**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2016**

	<u>Water/Sewer</u>	<u>Stormwater Utility</u>	<u>Total Enterprise Funds</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,006,762	\$ 53,701	\$ 1,060,463
Receivable, Net	115,924	9,952	125,876
Prepaid Insurance	11,666	-	11,666
	<u>1,134,352</u>	<u>63,653</u>	<u>1,198,005</u>
Total current assets			
Non-Current Assets:			
Capital Assets:			
Land and construction in Progress	1,407,897	-	1,407,897
Other capital assets, net of accumulated depreciation	4,204,356	106,337	4,310,693
	<u>5,612,253</u>	<u>106,337</u>	<u>5,718,590</u>
Total Non-Current Assets			
	<u>5,612,253</u>	<u>106,337</u>	<u>5,718,590</u>
<b>Total assets</b>	<b><u>6,746,605</u></b>	<b><u>169,990</u></b>	<b><u>6,916,595</u></b>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable	46,733	-	46,733
Refundable Deposits	34,250	-	34,250
Note Payable/Leases, Current	1,195,539	-	1,195,539
Compensated Absences	21,470	6,661	28,131
Non-Current Liabilities:			
Note Payable/Leases, Non-Current	2,007,301	-	2,007,301
	<u>2,007,301</u>	<u>-</u>	<u>2,007,301</u>
<b>Total liabilities</b>	<b><u>3,305,293</u></b>	<b><u>6,661</u></b>	<b><u>3,311,954</u></b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	2,409,412	106,337	2,515,749
Unrestricted	1,031,900	56,992	1,088,892
	<u>1,031,900</u>	<u>56,992</u>	<u>1,088,892</u>
<b>Total net position</b>	<b><u>\$ 3,441,312</u></b>	<b><u>\$ 163,329</u></b>	<b><u>\$ 3,604,641</u></b>

See accompanying notes to financial statements.

City of Auburn, Georgia  
Statement of Revenues, Expenses,  
and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2016

	<u>Water &amp; Sewer System</u>	<u>Stormwater Utility</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for Service	\$ 1,542,739	\$ 106,978	\$ 1,649,717
Other	1,185	-	1,185
<b>Total operating revenues</b>	<b><u>1,543,924</u></b>	<b><u>106,978</u></b>	<b><u>1,650,902</u></b>
<b><u>OPERATING EXPENSES</u></b>			
Personal Services and Benefits	583,476	55,390	638,866
Purchased/Contracted Services	206,929	13,708	220,637
Water Purchases	458,166	-	458,166
Supplies	146,433	6,663	153,096
Depreciation	121,859	2,562	124,421
<b>Total operating expenses</b>	<b><u>1,516,863</u></b>	<b><u>78,323</u></b>	<b><u>1,595,186</u></b>
<b>Operating income (loss)</b>	<b><u>27,061</u></b>	<b><u>28,655</u></b>	<b><u>55,716</u></b>
<b><u>NON-OPERATING REVENUE (EXPENSES)</u></b>			
Interest Income	2,721	-	2,721
Interest Expense	(95,486)	-	(95,486)
<b>Total non-operating revenue (expenses)</b>	<b><u>(92,765)</u></b>	<b><u>-</u></b>	<b><u>(92,765)</u></b>
<b>Net Income (Loss)</b>	<b><u>(65,704)</u></b>	<b><u>28,655</u></b>	<b><u>(37,049)</u></b>
Transfers	-	-	-
<b>Change in net position</b>	<b><u>(65,704)</u></b>	<b><u>28,655</u></b>	<b><u>(37,049)</u></b>
<b>Total net position, beginning</b>	<b><u>3,507,016</u></b>	<b><u>134,674</u></b>	<b><u>3,641,690</u></b>
<b>Total net position, ending</b>	<b><u>\$ 3,441,312</u></b>	<b><u>\$ 163,329</u></b>	<b><u>\$ 3,604,641</u></b>

See accompanying notes to financial statements.



City of Auburn, Georgia  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2016

	Water & Sewer Fund	Stormwater Utility	Total
<b><u>Cash Flows from Operating Activities:</u></b>			
Receipts from customers	\$ 1,536,134	\$ 106,901	\$ 1,643,035
Payment to suppliers	(801,682)	(18,057)	(819,739)
Payment to employees	(583,476)	(55,390)	(638,866)
Other payments	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b><u>150,976</u></b>	<b><u>33,454</u></b>	<b><u>184,430</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition of Capital Assets	(545,649)	(23,216)	(568,865)
Loan Proceeds	583,993	-	583,993
Principal Payments	(115,199)	-	(115,199)
Interest Expense	(95,486)	-	(95,486)
<b>Total Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(172,341)</u></b>	<b><u>(23,216)</u></b>	<b><u>(195,557)</u></b>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest Income	2,721	-	2,721
<b>Total Cash Flows Provided by Investing Activities</b>	<b><u>2,721</u></b>	<b><u>-</u></b>	<b><u>2,721</u></b>
<b>Net Increase (Decrease) in Cash</b>	<b><u>(18,644)</u></b>	<b><u>10,238</u></b>	<b><u>(8,406)</u></b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b><u>1,025,406</u></b>	<b><u>43,463</u></b>	<b><u>1,068,869</u></b>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>1,006,762</u></b>	<b><u>53,701</u></b>	<b><u>1,060,463</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Net Operating Income/(Loss)	27,061	28,655	55,716
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	121,859	2,562	124,421
(Increase)/Decrease - Accounts Receivable	(7,790)	(77)	(7,867)
(Increase)/Decrease - Prepays	(1,227)	-	(1,227)
Increase/(Decrease) - Accounts Payable	12,619	-	12,619
Increase/(Decrease) - Customer Deposits	4,250	-	4,250
Increase/(Decrease) - Compensated Absences	(5,796)	2,314	(3,482)
<b>Net Cash Provided by Operating Activities</b>	<b><u>150,976</u></b>	<b><u>33,454</u></b>	<b><u>184,430</u></b>

See accompanying notes to financial statements.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Note 1. Summary of Significant Accounting Policies**

**A. Introduction:**

The City of Auburn (City), Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The financial statements of the City of Auburn have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) of the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**B. Financial Reporting Entity – Basis of Presentation**

**1. Primary Government and Component Units:**

The City has implemented Governmental Accounting Standards Board Statement 14 "The Financial Reporting Entity". Statement 14 applies to all state and local governments. The Statement applies to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand-alone governments; and it applies to the separately issued financial statements of governmental component units. The financial reporting entity consists of (a) primary governments, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, joint venture, jointly governed organization or another stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

In conformity with GASB Statement 14, the City of Auburn, Georgia, has no component units that meet the criteria for component units requiring discrete presentation in the primary governmental financial reporting entity.

**2. Government-wide and Fund Financial Statements:**

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government is the focus of these financial statements. Individual funds are not displayed by the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

The City segregates transactions related to certain City functions or activities in separate funds in order to aid in financial management and to demonstrate legal and contractual compliance. Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

*Fund Accounting*

The City uses funds to maintain its financial records. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary

**Governmental Fund Types**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within sixty (60) days of end of the year. Revenues subject to accrual are property taxes, sales & use taxes, interest income and grants. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Governmental fund types utilized by the City are General, Capital Projects, and Special Revenue Funds. The General fund is the City's primary operating fund and accounts for all financial resources of the general government. Capital Project funds account for accumulation of resources and subsequent disbursements in obtaining or renovation of major capital assets. Special Revenue funds account for resources that are legally restricted to expenditures for specific purposes. SPLOST receipts and disbursements are included in the SPLOST Fund. The General and SPLOST funds are major governmental funds.

**Proprietary Fund Types**

Proprietary fund financial statements report using the economic resources measurement focus and the accrual basis of accounting, primarily directed to continuing operations. Reporting focuses on the determination of net income, financial position, and cash flows. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are costs of providing goods or services and includes administrative expenses and depreciation of capital assets.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Other revenues and expenses are classified as non-operating in the financial statements. Proprietary fund types utilized by the City are Water & Sewer and Stormwater Utility Funds. Both are major enterprise funds. The Water & Sewer fund accounts for utility services and their related distribution operations. The Stormwater Utility Fund accounts for fees collected and the management of stormwater facilities and services.

**3. Measurement Focus:**

*Government-wide Financial Statements* – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operations of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

It is the City's policy to use restricted amounts prior to unrestricted amounts when both are available for use. The City uses committed amounts of fund balance, then assigned amounts and lastly unassigned resources when unrestricted amounts of fund balance are being used.

*Fund Financial Statements* – All governmental funds are accounted for using a flow of current financial resources measurement focus. Therefore, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (revenues and other financing sources) and used (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All Proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statements of cash flows provide information about how the City's finances meet the cash flow needs of its proprietary activities.

**C. Basis of Accounting:**

Basis of accounting determines when transactions are recorded in the financial records and reported on financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental fund types use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenues, recording of deferred revenues, and in the presentation of expenses versus expenditures.

**D. Assets, Liabilities, Net Position or Fund Equity:**

**1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include demand deposits, money market accounts and short-term investments with a maturity date, within ninety (90) days of the date acquired by the City. The City may invest and reinvest money subject to its control in (1) obligations of the United States and its agencies and instrumentalities; (2) bonds or certificates of indebtedness of Georgia and its

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

agencies and instrumentalities; and (3) certificates of deposit of banks which have deposits insured by the Federal Deposit Insurance Corporation and certain specified amounts in excess of the amount insured by the F.D.I.C. The City also may hold funds in deposit accounts with banking institutions as otherwise authorized by law.

Investments are stated at cost or amortized costs, which approximates market. Investments consist on money market accounts, certificates of deposit and U. S. Government Treasury Bills & Notes, and are considered the same as cash and cash equivalents, and accordingly are reported under the caption of cash on the balance sheet.

**2. Receivables**

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles.

**3. Inventory**

Materials purchased and expendable supplies are shown as expenditures in governmental funds and expenses in proprietary funds when acquired and are not inventoried at year end because the amounts are not considered to be material.

**4. Prepaid Items**

Payments to vendors for services that benefit future periods beyond year end are recorded as prepaid items and reported on the consumption basis. When prepaid items are incurred by the City, the expenditure or expense is deferred to the period benefited. At the fund reporting level, a reservation is made in the fund balance for an equal amount.

**5. Capital Assets**

The City's property, plant, equipment, and infrastructure with useful lives of more that one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Infrastructure acquired prior to implementation of GASB 34 on October 1, 2003 is not reported in the basic financial statements. Proprietary/Enterprise fund capital assets are reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City maintains a capitalization threshold of \$(5,000). The City's infrastructure consists of roads, bridges, curbs, gutters, sidewalks and utility (Water) distribution systems. Major improvements to capital assets are capitalized. Cost of normal maintenance and repair that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed of or retired, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss recorded in operations. Depreciation is determined using the straight-line method over the following estimated useful lives:

Plants & Buildings	20-50 years
Machinery & Equipment	5-7 years
Vehicles	3-5 years
Transmission/Distribution Systems & Infrastructure	50 years

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**6. Interest Capitalization**

Interest costs are capitalized when incurred by proprietary funds on debt where the proceeds were used to finance construction of assets.

**7. Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The maximum vacation accrual is limited to thirty (30) days. Sick leave accrues to full-time employees to specified maximums; however, benefits are paid only upon illness of an employee and are charged to expenditures when taken. Accrued sick benefits are lost upon termination or retirement. Accrued vacations are paid to employees upon termination. Compensated absences are reported as accrued in the government-wide financial statements. Proprietary funds report compensated liabilities in each individual fund at the fund level. Government funds report only matured compensated absences payable to currently terminating employees and included in personal services and benefits.

**8. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide and proprietary financial statements. Bond issue costs, bond discounts or premiums, and the difference between the reacquisition price and net carrying value of a refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximated the effective interest rate method.

Governmental fund payables and accrued liabilities reported as obligations of these funds are paid in full from current financial resources. Governmental fund financial statements recognize proceeds from debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. Compensated absences paid from governmental funds are reported only to the extent they are due during the current year.

**9. Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

*Fund Balance*

Fund balance represents the difference between current assets and current liabilities. Unrestricted fund balance indicates the amount available for appropriation in future periods. The City restricts portions of fund balance which are legally segregated for a specific purpose or do not represent amounts available for appropriation or expenditures.

*Net Position*

Net position represents the difference between assets and liabilities. Net investment capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or contractual by creditors, grantors, or laws, or regulations of their governments. All other net position is reported as unrestricted.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Restricted net position as of September 30, 2016, included \$ 671,756 held in the SPLOST Fund, \$ 27 of health and wellness grant receipts and \$ 3,916 from the confiscated assets account.

**10. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The City's operating revenues are charges for services for water and sewage, transportation services and stormwater usage fees. Operating expenses are the necessary costs incurred to provide goods or services that are the primary activity of each fund. Other revenues and expenses are non-operating.

**11. Contributed Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, grants or outside contribution of resources restricted to capital acquisition and construction.

**NOTE 2. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

*Budget Policy and Practice*

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, each year the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Project, Special Revenue and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

*Basis for Budgeting*

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, other and capital outlay. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. All unexpended annual appropriations lapse at year end.

**B. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting – under which purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve the applicable appropriation – is not used by the City.

**C. Deficit Fund Equities**

The City had no funds with deficit fund balances as of September 30, 2016.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**D. Excess of Expenditures over Appropriations**

There were no known expenditures in excess of appropriations for the primary government.

**NOTE 3. Detailed Notes on All Funds**

**A. Deposits and Investments**

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or its agent in the City's name. Cash and investments are classified as to credit risk as described below:

Deposits

Category 1 – Insured or collateralized with securities held by the City or its agents in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Primary Government	\$ 2,330,101	\$ -	\$ -	\$ 2,330,101	\$ 2,339,564
Totals	\$ 2,330,101	\$ -	\$ -	\$ 2,330,101	\$ 2,339,564

Investments

The City may invest and reinvest money subject to its control in (1) obligations of the United States and its agencies and instrumentalities; (2) bonds or certificates of indebtedness of the State of Georgia and its agencies and instrumentalities; and (3) certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation (FDIC) and certain specified amounts in excess of the amounts insured by the FDIC with the bank pledging appropriate bank assets as collateral. The City also may hold funds in deposit accounts with banking institutions as otherwise authorized by law.

Investments are stated at cost or amortized costs, which approximates market. Investments consist of money market accounts and U. S. Government Treasury bills and notes, which mature within three months or less from the date of acquisition are considered as the same as cash and cash equivalents, and accordingly are reported under the caption of cash on the balance sheet.



**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**B. Receivables**

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles. A summary by fund of the receivables and their respective allowances for doubtful accounts follows:

<b>Primary Government</b>	<u>Property Taxes</u>	<u>Accounts</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
General Fund	\$ 28,559	\$ 118,205	\$ (78,634)	\$ 68,130
Water & Sewer Fund	-	118,247	(2,323)	115,924
Stormwater Fund	-	<u>9,952</u>	<u>-</u>	<u>9,952</u>
 Total Primary Government	 <u>\$ 28,559</u>	 <u>\$ 246,404</u>	 <u>\$ (80,957)</u>	 <u>\$ 194,006</u>

**C. Due from Other Governments**

The City recorded sales and use tax receipts for August and September, 2016 due from the Georgia Department of Revenue in the amount of \$ 176,923. The August 2016 receivable was received October 2016. The September 2016 receivable was received in November 2016. Additionally, SPLOST receipts receivable were recorded for \$ 145,305 due from Barrow County and \$ 3,650 due from Gwinnett County.

(Continued on next page)

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**D. Capital Assets**

A summary of Capital Assets follows:

	Balance 10/1/2015	Additions	Deletions	Balance 9/30/2016
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	1,291,269	410,659	(88,651)	1,613,277
Total Capital Assets not being depreciated	<u>1,291,269</u>	<u>410,659</u>	<u>(88,651)</u>	<u>1,613,277</u>
Other Capital Assets:				
Buildings	1,811,985	-	-	1,811,985
Vehicles & Equipment	2,087,529	116,000	-	2,203,529
Infrastructure	4,243,071	631,940	-	4,875,011
Total Other Capital Assets	<u>8,142,585</u>	<u>747,940</u>	<u>-</u>	<u>8,890,525</u>
Accumulated Depreciation:				
Buildings	386,234	40,346	-	426,580
Vehicles & Equipment	1,761,703	92,074	-	1,853,777
Infrastructure	599,019	91,285	-	690,304
Total Accumulated Depreciation	<u>2,746,956</u>	<u>223,705</u>	<u>-</u>	<u>2,970,661</u>
<b>Governmental Activities - Capital Assets, net</b>	<b><u>\$ 6,686,898</u></b>	<b><u>\$ 934,894</u></b>	<b><u>\$ (88,651)</u></b>	<b><u>\$ 7,533,141</u></b>
<b>Business-type Activities</b>				
Capital Assets not being depreciated				
Land	\$ 410,950	\$ -	\$ -	\$ 410,950
Construction in process	481,239	515,709	-	996,948
Total Capital Assets not being depreciated	<u>892,189</u>	<u>515,709</u>	<u>-</u>	<u>1,407,898</u>
Other Capital Assets				
Infrastructure and Distribution Systems	5,447,125	23,216	-	5,470,341
Equipment	165,215	11,120	-	176,335
Vehicles	271,248	18,822	-	290,070
Total Other Capital Assets	<u>5,883,588</u>	<u>53,158</u>	<u>-</u>	<u>5,936,746</u>
Accumulated Depreciation				
Infrastructure and Distribution Systems	1,114,056	109,175	-	1,223,231
Equipment	137,307	6,924	-	144,231
Vehicles	250,269	8,322	-	258,591
Total Accumulated Depreciation	<u>1,501,632</u>	<u>124,421</u>	<u>-</u>	<u>1,626,053</u>
<b>Business-type Activities - Capital Assets, net</b>	<b><u>\$ 5,274,145</u></b>	<b><u>\$ 444,446</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,718,591</u></b>

Commitments

The City has committed to planning and design activities regarding a reservoir for the City. This project will be funded by loan proceeds from GEFA. As of September 30, 2016, the City had spent \$ 996,948 pertaining to this project.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Government	\$ 85,319	Water & Sewer Fund	\$ 121,859
Public Safety	59,703	Stormwater Utility Fund	2,562
Public Works	78,683		

**E. Interfund Balances/Transfers**

Fund financial statement receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in governmental and business-type activities of government-wide statements of net position, except for net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances. The City repaid all remaining interfund balances during the year ending September 30, 2016.

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>To</u>	<u>From</u>
<b>Governmental Activities</b>				
<u>Major Governmental Funds</u>				
General	\$ -	\$ -	\$ -	\$ -
SPLOST	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-type Activities</b>				
<u>Major Enterprise Funds</u>				
Water & Sewer Fund	\$ -	\$ -	\$ -	\$ -
Stormwater Utility	-	-	-	-
Transit System	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**F. Property Tax Calendar**

The City receives property tax assessments from Barrow and Gwinnett County. Taxes were levied on November 7<sup>th</sup> and tax bills were mailed to taxpayers by January 6<sup>th</sup>. The due date for these taxes was March 7<sup>th</sup>, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was July 31<sup>st</sup>. Ad Valorem taxes on vehicles are collected concurrently with the issuance of state license tags by Barrow and Gwinnett County. Property tax revenues are recognized when they become available, which includes those tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**G. Long-Term Debt**

*Long-Term Debt Supporting Governmental Activities*

During a previous year, the City issued a capital lease to purchase two police vehicles for \$ 58,582. The lease requires monthly payments of \$ 1,065 over five years. The City also entered into a note payable to purchase an additional two police vehicles. The Note Payable totaled \$ 51,112, and will be repaid over three years with monthly installments of \$ 1,485. During 2012, the City issued a note payable in the amount of \$ 745,000 for the purchase of real estate to serve as the new public works facility. This note payable is amortized over ten years and requires monthly payments of \$ 7,280. Debt issued to support governmental activities is typically paid by the General Fund; however, SPLOST receipts will be used to repay these obligations. Compensated absences accrued for employees operating under governmental activities are paid from the General Fund.

During the current year, the City purchased land to be used as a future municipal complex. The note was in the amount of \$ 342,813, calling for an initial principal payment of \$ 90,852 with additional payments in the following three years of \$ 82,261, \$ 83,906 and \$ 85,794. The interest rate on this note is 2% per annum on the loan balance of \$ 251,961.

Also during the current year, the City entered into a capital lease for police vehicles in the amount of \$ 116,000. This lease is payable over 5 years at 3.5717%. Payments are made each quarter in the amount of \$ 6,359.

*Long-term Debt Supporting Business Activities*

Financing in the form of a note payable was obtained through the Georgia Environmental Facilities Association (GEFA) during 2005 in the amount of \$ 2,591,109 for water system improvements and expansion. This note is payable over twenty (20) years by monthly installments of \$ 15,976. During 2014, the City approved a note payable to GEFA to fund planning and design expenses for a city reservoir. As of September 30, 2016, the City had drawn \$ 1,315,487. Interest only payments are due until the note is fully utilized and then the balance will be amortized over ten years. Compensated absences associated with business activities are paid from the Water & Sewer System and Stormwater Utility Funds.

*Other Debt*

During the previous year, the City entered a capital lease for a new phone system. This lease totaled \$ 56,163 and called for 60 monthly payments of \$ 1,086 at 4.73% per annum. The City elected to record this liability as 60% General Fund and 40% Water/Sewer Fund.

*Capital Leases*

Equipment and vehicles under Capital Lease and the resulting depreciation is included in the Capital Assets Schedule.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**CHANGES IN LONG-TERM DEBT**

	Balance 10/01/2015	Issued	Retired	Balance 9/30/2016	Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
<i><b>Governmental Activities</b></i>					
Compensated Absences	\$ 92,675	\$ 8,193	\$ -	\$ 100,868	\$ 100,868
Lease - Phone system	30,960	-	(6,483)	24,477	6,351
Leases Payable	40,206	-	(10,620)	29,586	11,942
Note Payable	557,570	-	(88,452)	469,118	91,318
Lease - Police Vehicles	-	116,000	(17,156)	98,844	22,201
Note Payable	-	342,813	(90,852)	251,961	82,261
<b>Total Governmental Activities</b>	<b><u>721,411</u></b>	<b><u>467,006</u></b>	<b><u>(213,563)</u></b>	<b><u>974,854</u></b>	<b><u>314,941</u></b>
<i><b>Business-type Activities</b></i>					
Lease - Phone system	20,640	-	(4,615)	16,025	4,234
Compensated Absences	31,613	-	(3,481)	28,132	28,132
Notes Payable - GEFA	1,981,912	-	(110,585)	1,871,327	115,319
Interim Financing - GEFA	731,494	583,993	-	1,315,487	-
<b>Total business-type Activities</b>	<b><u>2,765,659</u></b>	<b><u>583,993</u></b>	<b><u>(118,681)</u></b>	<b><u>3,230,971</u></b>	<b><u>147,685</u></b>

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**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

*Debt Service Requirements*

PRIMARY GOVERNMENT	Original Issuance Amount	Interest Rate	Year Ending September 30	Principal	Interest
<i>Governmental Activities</i>					
Lease Payable *	\$ 33,698	4.73%	2017	\$ 6,468	\$ 902
		4.73%	2018	7,209	609
		4.73%	2019	7,527	292
		4.73%	2020	3,273	218
				<u>24,477</u>	<u>2,021</u>
Lease Payable	\$ 58,582	3.48%	2017	11,942	806
		3.48%	2018	12,364	382
		3.48%	2019	5,280	31
				<u>29,586</u>	<u>1,219</u>
Lease Payable	\$ 116,000	3.57%	2017	22,201	3,235
			2018	23,005	2,432
			2019	23,837	1,599
			2020	24,700	736
			2021	5,101	46
				<u>98,844</u>	<u>8,048</u>
Note Payable	\$ 745,000	3.25%	2017	73,777	13,584
		3.25%	2018	76,211	11,150
		3.25%	2019	78,725	8,636
		3.25%	2021	81,322	6,039
		3.25%	2021	84,005	2,356
		3.25%	2022	57,537	1,703
				<u>451,577</u>	<u>43,468</u>
Note Payable	\$ 51,112	2.90%	2016	17,541	280
				<u>17,541</u>	<u>280</u>
<b>Totals - Governmental Activities</b>				<b><u>\$ 622,025</u></b>	<b><u>\$ 55,036</u></b>

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**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<i>Business-type Activities</i>	Original Issuance	Interest	Year Ending	Principal	Interest
	Amount	Rate	September 30		
Lease Payable *	\$ 23,310	4.73%	2078	\$ 4,019	\$ 601
		4.73%	2018	4,807	407
		4.73%	2019	5,018	195
		4.73%	2020	2,181	144
					<u>16,025</u>
Note Payable	\$ 342,813	2.00%	2017	82,261	5,039
			2018	83,906	3,394
			2019	85,794	1,716
				<u>251,961</u>	<u>10,149</u>
Note Payable - GEFA	\$ 2,591,109	4.20%	2017	115,320	76,393
			2018	120,257	71,455
			2019	125,406	66,306
			2020	130,776	60,936
			2021	136,375	55,336
			2022-26	<u>1,243,193</u>	<u>212,730</u>
Totals - Notes Payable				<u>1,871,327</u>	<u>543,156</u>
<b>Totals - Business-type Activities</b>				<b><u>\$ 2,139,313</u></b>	<b><u>\$ 554,652</u></b>

\* This lease recorded as 60% General Fund; 40% Water/Sewer Fund.

#### H. Risk Management

The City is exposed to various risks of losses related to torts, thefts, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance policies covering each of the above risk of loss. Management believes this coverage is adequate to preclude any significant uninsured risk exposure to the City.

Injuries to employees (Workers' Compensation Insurance) is maintained through the Georgia Municipal Association (GMA). Chapter 9, Article 5 of Title 34 of the Official Code of Georgia Annotated authorized GMA's Workers' Compensation Self Insurance Fund. The Fund is to defend, in the name of and on behalf of its members, any suits or other proceedings which may be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia. The liability of the Fund to employees of any member employer is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
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As a part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and report as promptly as possible all incidents which could result in the funds being required to pay any acclaim or loss.

There were no significant reductions in insurance coverage from the prior year, and there have been no settled claims and in the past three years have not exceeded coverage.

**I. Litigation**

The City Attorney advised that no legal actions were in progress by or against the City at September 30, 2016, that would have a material effect on the City's financial condition.

**J. Compliance with Legal Provisions**

**State Laws**

Budgets – The City was in compliance with Title 36, Chapter 91, Section 3-6 of the Official Code of Georgia, Annotated (OCGA) which requires the adoption of balanced budgets.

Special Purpose Local Option Sales Tax – The City expended \$ 1,234,611 of SPLOST during the current year which included principal and interest payments of debt.

The City received Local Maintenance and Improvements Grants (LMIG) from the Georgia Department of Transportation in the amount of \$ 61,102. The City was in compliance with the grant restrictions.

**K. Contingent Liabilities**

The City participates in both federal and state assistance programs which are subject to program compliance audits by the grantors or their representatives.

**L. Related Parties**

The City was not involved in any significant related party transactions during the current operating year.

**M. Retirement/Pension Plans**

The City participates in the Georgia Municipal Employees Benefit System (GMEBS) Retirement Fund, an agent multiple-employer defined benefit plan where contributions made by the City are commingled with contributions made by the other participants of the GMEBS Retirement Fund for investment purposes. The plan periodically issues an overall report to the required agencies. A stand-alone financial report can be obtained at City Hall. The City implemented and adopted GASB 68 in the previous year.

The specific benefit provisions of the City's Plan were established by an adoption agreement executed by the City Council. The plan provides for benefits upon retirement, death, disablement, and termination of employment. The Plan is affiliated with the Georgia Municipal Association (GMA). The City Council retains the authority to amend the adoption agreement, which defined the specific operational provisions of The Plan. An outline of the plan provisions follows:



**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Plan Description**

The City, as authorized by the City Council, had established a non-contributory defined benefit pension plan (The City of Auburn Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia's Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 1.5% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Council has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the employer and its plan members. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at [www.gmanet.com](http://www.gmanet.com) or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

*Plan Membership* As of January 1, 2016, the date of the most recent actuarial valuation, there were 52 participants consisting of the following:

Inactive plan members for beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not receiving benefits	10
Active plan members	<u>41</u>
	<u>72</u>

*Contributions:* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council.

For the fiscal year ended September 30, 2016, the City's contribution rate was 6.99% of annual payroll. City contributions to the Plan were \$ 101,857 for the fiscal year ended September 30, 2016. Employees of the City of Auburn do not contribute to the Plan.

**Net Pension Liability of the City**

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

*Actuarial assumptions:* The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.25% plus merit increases
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates for were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010- June 30, 2013.

Cost of living adjustments were assumed to be 3.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-Term expected real rate of return*</u>	<u>Long-Term Nominal Real Rate of Return</u>
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45	9.70%
Fixed income	25%	1.55	4.80%
Real estate	10%	3.75	7.00%
Cash	0%		
Total	<u>100%</u>		

\*Rates shown are net of the 3.5% assumed rate of inflation

*Discount rate:* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, which is zero, and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's 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 on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

*Changes in the Net Pension Liability of the City:* The changes in the components of the net pension liability of the City for the fiscal year ended September 30, 2016 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at 9/30/14</b>	\$ 1,377,301	\$ 1,180,912	\$ 196,389
<b>Changes for the year:</b>			
Service cost	84,715	-	84,715
Interest	105,447	-	105,447
Differences between expected and actual experience	21,405	-	21,405
Assumption Changes	-	-	-
Contributions - employer	-	105,244	(105,244)
Net investment income	-	10,749	(10,749)
Benefit payments, including refunds of employee contributions	(33,401)	(33,401)	-
Administrative expense and other	-	(5,776)	5,776
<b>Net changes</b>	<u>178,166</u>	<u>76,816</u>	<u>101,350</u>
<b>Balances at 9/30/2015</b>	\$ 1,555,467	\$ 1,257,728	\$ 297,739

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that 1 - percentage - point lower (6.75 percent) or 1 - percentage-point higher (8.75 percent) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City's net pension liability	\$ 516,051	\$ 297,739	\$ 116,608

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015 and the current sharing pattern of costs between employer and employee.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$ 105,244. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,124	\$ (3,840)
Changes in assumptions	9,240	-
Net difference between projected and actual earnings on pension plan investments	45,010	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 71,374</u>	<u>\$ (3,840)</u>

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

<u>Year ending September 30:</u>	<u>Outflows/(Inflows)</u>
2017	(15,079)
2018	(15,079)
2019	(15,079)
2020	<u>(22,297)</u>
Total	<u>\$ (67,534)</u>

The City also participates in the Peace Officers' Annuity and Benefit Fund of Georgia as follows.

**Plan Description**

The Peace Officer's Annuity and Benefit Fund of Georgia (Fund) was created in 1950 by the General Assembly of Georgia to provide retirement benefits to peace officers. The Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards board (GABB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

Members of the Fund are employed by units of government throughout the state of Georgia. The employers of the Fund's members do not make contributions to the Fund. The State of Georgia provides nonemployer contributions to the Fund through the collection of court fines and forfeitures. These nonemployer contributions are recognized as revenue by the Fund when collected from the courts.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Basis of Presentation**

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (the schedules) are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

**Actuarial Valuation Date**

The total pension liability is based upon the June 30, 2015 actuarial valuation.

**Components of Net Pension Liability**

The components of the net pension liability of the participating employers and nonemployers at June 20, 2015 were as follows:

Total pension liability	\$ 165,049
Net position	<u>(162,214)</u>
Net pension liability (asset)	<u>\$ 2,835</u>
 Plan fiduciary net position as a percentage of total pension liability	 98.28%

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%	
Salary increases	N/A	
Investment rate of return	7.00%	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with blue collar adjustment projected on a fully generational mortality basis using Scale AA for healthy lives and the RP 2000 Disabled Mortality Table for disabled lives.

The long-term expected rate of return on pension plan investments was calculated by the Fund's investment manager as 6.66% using a Monte Carlo simulation in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The Fund's administrator determined that 7.00% was a reasonable assumption for the long-term rate of return on plan assets based on the calculation by the Fund's investment manager.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following table presents the net pension liability of the Fund, calculated using the discount rate of 7.00%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	\$ 235,169	\$ 283,496	\$ 143,350

**Special Funding Situation**

The State of Georgia, although not the employer of the Fund's members, makes contributions to the Fund through the collection of court fines and forfeitures as specified by O.C.G.A. §47-17-60. The State makes all these contributions on behalf of the employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB No. 68.

Since the employers of the Fund's members do not contribute directly to the Fund, there is no net pension liability to recognize for each employer. However, the notes to each employer's financial statements must disclose the portion of the nonemployer contributing entity's share of the net pension liability that is associated with that employer. In addition, each employer must recognize its portion of the pension expense of the State as well as recognize revenue contributions from the State in an equal amount.

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* requires participating employers and nonemployer contributing entities to recognize their proportionate share of net pension liability and pension expenses. These schedules are prepared to provide employers and nonemployer contributing entities with their calculated proportionate share.

Members of the Fund are employees of units of government throughout the state. The employers of the Fund's members do not make contributions to the Fund; therefore, the proportionate share allocation for each employer is 0%.

The amounts attributable to the State of Georgia, as the nonemployer contributing entity, have been allocated to each employer based of the number of Fund members employed as of June 30, 2014.

**Components of Schedule of Pension Amounts by Employer**

*Net Pension Liability:* The employer proportionate share of the net pension liability is equal to the net pension liability multiplied by the employer's proportionate share percentage for the fiscal year ending June 30, 2014 as shown in the Schedule of Employer Allocations.

**CITY OF AUBURN, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

*Difference between Projected and Actual Investment Earnings on Pension Plan Investments:*  
The difference between the actual earnings on plan investments compared to the Plans' expected rate of return of 7.00% is amortized over a closed period of 5 years. The amount of the difference between projected and actual earnings for the fiscal year ending June 30, 2014 is \$ (14,335). The first year amortization, \$ (2,867), is recognized as pension expenses with the remaining, \$ (11,468), shown as deferred inflows of resources.

The employer proportionate share of these collective amounts is equal to the collective amount multiplied by the employer's proportionate share percentage for fiscal year ending June 30, 2015 as shown in the Schedule of Employer Allocations.

*Pension Expense:* The calculation of pension expense for the fiscal year ending June 30, 2014 is shown in the following table:

Service Cost	\$ 3,017
Interest of the total pension liability and net cash flow	10,847
Projected earnings on plan investments	(11,190)
Expensed portion of current period difference between Projected and actual earnings on plan investment	(963)
Member contribution	(816)
Administrative expenses	<u>173</u>
 Pension expense	 <u>\$ 1,070</u>

The employer share of collective pension expense is equal to the collective pension expense multiplied by the employer's proportionate share percentage for the fiscal year ending June 30, 2015 as shown in the Schedule of Employer Allocations.

**M. Other Post-Employee Benefits**

The City does not provide retirement benefits other than pension benefits as outlined in previous note.

**NOTE 4. Joint Ventures:**

Under Georgia law, the City, in conjunction with other cities and counties in the twelve (12) county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended September 30, 2016, the City's membership dues were assessed to and paid by Barrow County, Georgia. The City of Auburn did not pay any annual dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA Section 50-8-39.1 provides that member governments are liable for any debts or obligations of the RC. Separate financial statements for the RC may be obtained from:

Northeast Georgia Regional Commission  
305 Research Drive  
Athens, Georgia 30605-2795

**City of Auburn, Georgia**  
**General Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance--**  
**Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>					
Taxes:					
Property Taxes	\$ 549,000	\$ -	\$ 549,000	\$ 578,367	\$ 29,367
Motor Vehicle Taxes	246,000	-	246,000	210,214	(35,786)
Sales Taxes	1,028,775	-	1,028,775	1,034,977	6,202
Franchise Taxes	360,000	-	360,000	350,170	(9,830)
Alcohol Beverage Taxes	85,000	-	85,000	80,357	(4,643)
Insurance Premium Taxes	380,000	25,000	405,000	405,071	71
Other Taxes	50,100	-	50,100	49,340	(760)
<b>Total taxes</b>	<u>2,698,875</u>	<u>25,000</u>	<u>2,723,875</u>	<u>2,708,496</u>	<u>(15,379)</u>
License and Permits	69,600	-	69,600	73,657	4,057
Fines and Forfeitures	125,404	-	125,404	143,272	17,868
Miscellaneous	61,346	10,000	71,346	73,881	2,535
Interest Earned	500	-	500	1,499	999
<b>TOTAL REVENUES</b>	<u>\$ 2,955,725</u>	<u>\$ 35,000</u>	<u>\$ 2,990,725</u>	<u>\$ 3,000,805</u>	<u>\$ 10,080</u>
<b><u>EXPENDITURES</u></b>					
<b>Current</b>					
<b>General Government</b>					
Personal Services	\$ 482,498	\$ -	\$ 482,498	\$ 484,322	\$ (1,824)
Purchased/Contracted Services	485,584	-	485,584	484,592	992
Supplies/Other	36,750	2,000	38,750	37,001	1,749
Debt Service	7,168	-	7,168	7,168	-
Capital Outlay	-	-	-	-	-
<b>Total General Government</b>	<u>1,012,000</u>	<u>2,000</u>	<u>1,014,000</u>	<u>1,013,083</u>	<u>917</u>
<b>Public Safety</b>					
Personal Services	1,335,312	-	1,335,312	1,249,946	85,366
Purchased/Contracted Services	155,673	-	155,673	257,985	(102,312)
Supplies/Other	55,000	-	55,000	46,628	8,372
Capital Outlay	10,500	108,000	118,500	116,000	2,500
Debt Service	38,200	-	38,200	31,859	6,341
<b>Total Public Safety</b>	<u>\$ 1,594,685</u>	<u>\$ 108,000</u>	<u>\$ 1,702,685</u>	<u>\$ 1,702,418</u>	<u>\$ 267</u>

See accompanying notes to Financial Statements



City of Auburn, Georgia  
General Fund  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance--  
Budget and Actual (Budgetary Basis)  
For the Fiscal Year Ended September 30, 2016

	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Public Works</b>					
Personal Services	\$ 143,005	\$ -	\$ 143,005	\$ 142,155	\$ 850
Purchased/Contracted Services	188,629	-	188,629	185,192	3,437
Supplies	32,406	-	32,406	34,666	(2,260)
<b>Total Public Works</b>	<u>364,040</u>	<u>-</u>	<u>364,040</u>	<u>362,013</u>	<u>2,027</u>
<b>Total Expenditures</b>	<u>2,970,725</u>	<u>110,000</u>	<u>3,080,725</u>	<u>3,077,514</u>	<u>3,211</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(15,000)	(75,000)	(90,000)	(76,709)	13,291
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Issuances	-	-	-	116,000	116,000
Sale of Capital Assets	15,000	-	15,000	10,000	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>126,000</u>	<u>111,000</u>
<b>REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ (75,000)</u>	<u>49,291</u>	<u>\$ 124,291</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				<u>852,850</u>	
<b>FUND BALANCE - END OF YEAR</b>				<u>\$ 902,141</u>	

See accompanying notes to Financial Statements.

City of Auburn, Georgia  
Special Revenue Fund  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance--  
Budget and Actual  
For the Fiscal Year Ended September 30, 2016

	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>					
Fines & Forfeitures	\$ 2,844	\$ -	\$ 2,844	\$ 2,844	\$ -
Intergovernmental	3,000	-	3,000	3,000	-
Fund Balance Carryover	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>5,844</u>	<u>-</u>	<u>5,844</u>	<u>5,844</u>	<u>-</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	\$ 3,992	\$ -	\$ 3,992	\$ 3,992	\$ -
Police	2,000	-	2,000	2,000	-
<b>Capital Outlay</b>					
Police	<u>2,207</u>	<u>-</u>	<u>2,207</u>	<u>2,207</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>8,199</u>	<u>-</u>	<u>8,199</u>	<u>8,199</u>	<u>-</u>
<b>REVENUES OVER EXPENDITURES</b>	<b>(2,355)</b>	<b>-</b>	<b>(2,355)</b>	<b>(2,355)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES (OVER) EXPENDITURES</b>	<u>\$ (2,355)</u>	<u>\$ -</u>	<u>\$ (2,355)</u>	<u>(2,355)</u>	<u>\$ -</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				<u>6,298</u>	
<b>FUND BALANCE - END OF YEAR</b>				<u>\$ 3,943</u>	

**City of Auburn, Georgia**  
**Enterprise Fund - Water & Sewer**  
**Statement of Revenues, Expenses and Changes in**  
**Net Position - Budget and Actual**  
**For the Year Ended September 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Metered Sales	\$ 1,500,000	\$ 1,493,472	\$ (6,528)
Sewer Charges	28,000	41,459	13,459
Other Fees	9,300	8,993	(307)
<b>Total Operating Revenues</b>	<u>1,537,300</u>	<u>1,543,924</u>	<u>6,624</u>
<b>Operating Expenses:</b>			
Personal Services & Benefits	586,503	583,476	3,027
Purchased/Contracted Services	205,418	206,929	(1,511)
Water Purchases	379,500	458,166	(78,666)
Supplies	170,000	146,433	23,567
Depreciation	-	121,859	(121,859)
<b>Total Operating Expenses</b>	<u>1,341,421</u>	<u>1,516,863</u>	<u>(175,442)</u>
<b>Net Operating Income</b>	<u>195,879</u>	<u>27,061</u>	<u>(168,818)</u>
<b><u>Non-Operating Income and (Expenses):</u></b>			
Interest Income	475	2,721	2,246
Interest Expense	(106,592)	(95,486)	11,106
Transfers	-	-	-
<b>Net Non-Operating Income/(Expense)</b>	<u>(106,117)</u>	<u>(92,765)</u>	<u>13,352</u>
<b>Net Income/(loss)</b>	<u>\$ 89,762</u>	<u>(65,704)</u>	<u>\$ (155,466)</u>
<b>Net Position - Beginning of Year</b>		<u>3,507,016</u>	
<b>Net Position - End of Year</b>		<u>\$ 3,441,312</u>	

**City of Auburn, Georgia**  
**Enterprise Fund - Stormwater Utility**  
**Statement of Revenues, Expenses and Changes in**  
**Net Position - Budget and Actual**  
**For the Year Ended September 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Operating Revenues:</b>			
Stormwater User Fees	102,459	106,978	4,519
<b>Total Operating Revenues</b>	<b>102,459</b>	<b>106,978</b>	<b>4,519</b>
<b>Operating Expenses:</b>			
Personal Services & Benefits	53,629	55,390	(1,761)
Purchased/Contracted Services	16,100	13,708	2,392
Supplies	6,300	6,663	(363)
Depreciation	-	2,562	(2,562)
<b>Total Operating Expenses</b>	<b>76,029</b>	<b>78,323</b>	<b>(2,294)</b>
<b>Net Operating Income</b>	<b>26,430</b>	<b>28,655</b>	<b>2,225</b>
<b>Net Income/(loss)</b>	<b>\$ 26,430</b>	<b>28,655</b>	<b>\$ 2,225</b>
<b>Net Position - Beginning of Year</b>		134,674	
<b>Net Position - End of Year</b>		<b>\$ 163,329</b>	



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Auburn, Georgia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and remaining fund information of the City of Auburn, Georgia, (City) as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Hawkins & McNair CPAs". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Hawkins & McNair, CPAs  
Winder, Georgia  
March 31, 2017



Hawkins & McNair, CPAs

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Auburn, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Auburn, Georgia, for the year ended September 30, 2016. This schedule is the responsibility of the City of Auburn, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note I.B.5 and is not intended to be a complete presentation of the City of Auburn, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in City of Auburn, Georgia's resolution or ordinance calling for the tax for the year ended September 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'McNair CPA's', written over a horizontal line.

Hawkins & McNair, CPAs  
March 31, 2017

CITY OF AUBURN, GEORGIA  
SCHEDULE OF PROJECTS EXPENDITURES  
SPECIAL PURPOSE LOCAL OPTION SALES TAX REVENUE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

EXPENDITURES

	<u>ORIGINAL BUDGET</u>	<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	<u>TOTAL</u>	<u>% COMPLETED</u>
<b><u>Project - 2008 Gwinnett County</u></b>					
<b>PUBLIC WORKS:</b>					
Road Improvements	\$ 75,000	\$ 16,432	\$ -	\$ 16,432	21.9%
<b>GENERAL GOVERNMENT</b>					
Recreation Facilities	189,528	-	-	-	0.0%
<b>PROJECT TOTALS</b>	<b><u>264,528</u></b>	<b><u>16,432</u></b>	<b><u>-</u></b>	<b><u>16,432</u></b>	<b>0.1%</b>
<b><u>Project - 2012 Barrow County</u></b>					
<b>GENERAL GOVERNMENT</b>					
Recreation	1,580,732	185,534	566,452	751,986	47.6%
Governmental Buildings	588,636	3,364	443,643	447,007	75.9%
<b>PUBLIC WORKS:</b>					
Road Improvements - Paving Facility	600,000 <u>700,000</u>	243,839 <u>912,832</u>	114,748 <u>90,852</u>	358,587 <u>1,003,684</u>	59.8% 100.0%
<b>PROJECT TOTALS</b>	<b><u>3,469,368</u></b>	<b><u>1,345,569</u></b>	<b><u>1,215,695</u></b>	<b><u>2,561,264</u></b>	
<b><u>Project - 2014 Gwinnett County</u></b>					
<b>PUBLIC WORKS:</b>					
Road Improvements	90,258	28,161	160	28,321	31.4%
<b>PUBLIC SAFETY:</b>					
Police Equipment	54,809	74,937	17,821	92,758	100.0%
<b>PROJECT TOTALS</b>	<b><u>145,067</u></b>	<b><u>103,098</u></b>	<b><u>17,981</u></b>	<b><u>121,079</u></b>	<b>83.5</b>
<b>Other</b>					
Office/Admin	-	39	935	974	0%
<b>Total</b>	<b><u>-</u></b>	<b><u>39</u></b>	<b><u>935</u></b>	<b><u>974</u></b>	<b>0%</b>
<b>SPLOST TOTALS</b>	<b><u>3,878,963</u></b>	<b><u>1,465,138</u></b>	<b><u>1,234,611</u></b>	<b><u>2,699,749</u></b>	<b>69.6%</b>