

CITY OF AUBURN, GEORGIA

Basic Financial Statements

For the Fiscal Year Ended September 30, 2014

HUBERT A. BRISCOE, CPA

Certified Public Accountant

P. O. Box 531

Winder, Georgia 30680-0531

City of Auburn, Georgia
Basic Financial Statements
For the Fiscal Year Ended September 30, 2014

Table of Contents

Financial Section	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis)	20
Proprietary Funds	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Fund Net Position	23
Statement of Cash Flows	24
Notes to the Financial Statements	26
Supplemental Statements	
Individual Fund Statements	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Special Revenue Fund)	47

**City of Auburn, Georgia
Basic Financial Statements
For the Fiscal Year Ended September 30, 2014**

Table of Contents - continued

Supplemental Statements - continued

Business-type Activities (Proprietary Funds)	<u>Page</u>
---	--------------------

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Water & Sewer System)	48
--	----

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Stormwater Utility)	49
--	----

Special Schedules and Reports

Schedule of Project Expenditures with Special Purpose Local Option Sales Tax	51
---	----

Independent Auditors' Report - Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	52
---	----

HUBERT A. BRISCOE, CPA

Certified Public Accountant

AICPA MEMBER AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 531

47 North Center Street

Winder, Georgia 30680-0531

Office (770) 867-1270 / Fax (770) 867-8798

CPA MEMBER GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council Members
City of Auburn, Georgia 30011

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and remaining fund information of the City of Auburn, Georgia, as of and for the fiscal year ended September 30, 2014, and the relative 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 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 remaining fund information of the City of Auburn, Georgia, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison of the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 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 supplemental 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 response to our inquiries, the basic financial statements, and the 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 the sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, schedules and schedule of project expenditures with Special Purpose Local Option Sales Tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules and schedule of project expenditures with Special Purpose Local Option Sales Tax are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules and schedule of project expenditures with Special Purpose Local Option Sales Tax is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the City of Auburn, Georgia'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 with *Government Auditing Standards* in considering City of Auburn, Georgia's internal control over financial reporting and compliance.


HUBERT A. BRISCOE, CPA
Winder, Georgia 30680-0530
March 30, 2015

City of Auburn, Georgia
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2014

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, 2014. 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 \$10,456,133 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$9,858,314.

Total net position is comprised of the following:

- (1) Net investment in Capital Assets of \$8,408,953 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 \$545,792 is restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net position of \$1,501,388 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 \$1,224,274 this year. This compares to the prior year ending fund balance of \$899,826 showing an increase of \$324,448 during the current year. Unassigned fund balance of \$637,738 for fiscal year 2014 shows a \$59,985 increase over the prior year.

At the end of the fiscal year, unassigned fund balance for the General Fund was \$637,738 or 22.1 % of total General Fund expenditures and 22.2% of total General Fund revenues.

Total liabilities of the City increased by \$158,118 to \$3,375,688 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 \$211,163 and issued new debt to purchase police vehicles in the amount of \$109,694.

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, 2014**

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 \$10,456,133. This is a \$597,819 increase over the beginning year's net position of \$9,858,314. 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	%
	2014	2013	2014	2013	2014	2013	Change	Change
Current and other assets	\$1,290	\$939	\$975	\$817	\$2,265	\$1,756	\$509	28.99%
Capital assets	6,703	6,553	4,864	4,767	11,567	11,320	247	2.18%
Total Assets	\$7,993	\$7,492	\$5,839	\$5,584	\$13,832	\$13,076	\$756	5.78%
Current and other liabilities	\$273	\$206	\$503	\$283	\$776	\$489	\$287	58.69%
Long-term liabilities	618	641	1,982	2,088	2,600	2,729	(129)	-4.73%
Total Liabilities	\$891	\$847	\$2,485	\$2,371	\$3,376	\$3,218	\$158	4.91%
Net Position:								
Net Investment								
in Capital Assets	\$5,960	\$5,818	\$2,449	\$2,462	\$8,409	\$8,280	\$129	1.56%
Restricted	546	376	0	0	546	376	170	45.21%
Unrestricted	596	451	905	751	1,501	1,202	299	24.88%
Total Net Position	\$7,102	\$6,645	\$3,354	\$3,213	\$10,456	\$9,858	\$598	6.07%

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2014

City of Auburn, Georgia

The City reported positive balances in net position for both governmental and business-type activities. Net position increased \$456,653 for governmental activities and \$141,166 for business-type activities. The City's overall financial position improved during fiscal year 2014.

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	
	2014	2013	2014	2013	2014	2013	Change	% Change
Revenues:								
Program revenues:								
Charges for services	\$248	\$208	\$1,592	\$1,426	\$1,840	\$1,634	\$206	12.61%
Operating grants & contributions		4			0	4	(4)	-100.00%
Capital grants & contributions	654	523			654	523	131	25.05%
General Revenues:								
Sales & Use taxes	977	927			977	927	50	5.39%
Property taxes	771	621			771	621	150	24.15%
Franchise taxes	327	314			327	314	13	4.14%
Alcohol Beverage taxes	80	69			80	69	11	15.94%
Insurance Premium taxes	355	343			355	343	12	3.50%
Other taxes, Interest & Misc	119	51	10	1	129	52	77	148.08%
Total Revenues	\$3,531	\$3,060	\$1,602	\$1,427	\$5,133	\$4,487	\$646	14.40%
Expenses:								
General Government	\$1,132	\$1,110			\$1,132	\$1,110	\$22	1.98%
Public Safety	1,586	1,544			1,586	1,544	42	2.72%
Public Works	331	379			331	379	(48)	-12.66%
Interest	25	27			25	27	(2)	-7.41%
Water & Sewer			\$1,372	\$1,324	1,372	1,324	48	3.63%
Stormwater			89	70	89	70	19	27.14%
Transit				19	0	19	(19)	-100.00%
Total Expenses	\$3,074	\$3,060	\$1,461	\$1,413	\$4,535	\$4,473	\$62	1.39%
Increase (decrease) in net position before transfers	\$457	\$0	\$141	\$14	\$598	\$14	\$584	4171.43%
Transfers		(7)		7	0	0	0	
Change in Net Position	\$457	(\$7)	\$141	\$21	\$598	\$14	\$584	4171.43%
Beginning net position	6,645	6,652	3,213	3,192	9,858	9,844	14	0.14%
Ending net position	\$7,102	\$6,645	\$3,354	\$3,213	\$10,456	\$9,858	\$598	6.07%

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Property taxes provided 22 percent, sales taxes provided 28 percent and other taxes provided 23 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 \$3,074,188. Of this amount, general government was \$1,132,570 (37%), public safety was \$1,585,793 (52%), and public works was \$331,027 (11%) of the total cost for services for fiscal year 2013-2014. Some of the costs were paid by programs revenues of \$901,445.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

Fiscal Year Ended September 30, 2014

	Revenues	Expenses
Water & Sewer System	\$1,500,759	\$1,371,544
Stormwater Utility	101,248	89,297

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 \$1,224,274. Of this year-end total, \$637,738 is unassigned indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of \$324,448 from the prior year. This increase 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 \$50,989. A key factor contributing to this was a increase in revenues.

The SPLOST Capital Projects Fund had a fund balance of \$537,841; which increased \$279,014.

Nonmajor Governmental Funds - the Special Revenue Fund had a fund balance of \$7,951.

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 increased by \$129,215 from the prior year. The Stormwater Utility Fund net position increased \$11,951.

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 2013-2014 was \$2,882,431. This was an increase of \$28,202 over 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, 2014, were \$6,703,170 and \$4,863,622 respectively. Major capital asset additions by the City's governmental-type activities during the current year included infrastructure and building improvements in the amount of \$250,185 and acquisition of capital assets of \$121,933. Expansion and improvements by the City's business-type activities in the amount of \$213,967 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.

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2014

City of Auburn, Georgia

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

	Governmental Activities		Business-type Activities		Total		Amount Change	% Change
	2014	2013	2014	2013	2014	2013		
Non-Depreciable Assets:								
Land	\$1,456	\$1,446	\$96	\$96	\$1,552	\$1,542	\$10	0.65%
Construction in Progress			319	105	319	105	214	
Depreciable Assets:								
Buildings	1,467	1,464			1,467	1,464	3	0.20%
Distribution Systems			4,428	4,536	4,428	4,536	(108)	-2.38%
Vehicles & Equipment	299	280	21	30	320	310	10	3.23%
Infrastructure	3,481	3,363			3,481	3,363	118	3.51%
Total	\$6,703	\$6,553	\$4,864	\$4,767	\$11,567	\$11,320	\$247	2.18%

Long-term debt

At the end of the fiscal year, the City had total debt outstanding of \$3,270,615. Of this amount, \$112,776 is for compensated absences, \$48,638 is a capital lease payable for recreation improvements, \$102,458 is for police vehicles, \$592,138 is a note payable for the public works facility and \$2,414,605 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
	2014	2013	2014	2013	2014	2013		
Compensate Absences	\$82	\$72	\$31	\$25	\$113	\$97	\$16	16.49%
Capital Leases	100	76			100	76	24	31.58%
Notes Payable	643	659			643	659	(16)	-2.43%
Notes Payable - GEFA			2,414	2,305	2,414	2,305	109	4.73%
Total	\$825	\$807	\$2,445	\$2,330	\$3,270	\$3,137	\$133	4.24%

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2014-2015 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 2014-2015, the City Council approved a total budget of \$4.68 million. This budget includes operating and non-operating funds. The General Fund budget is budgeted for \$2,844,680, the Water & Sewer Fund is budgeted for \$1,737,000 and the Stormwater Utility Fund is budgeted for \$100,900. 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 P. O. Box 1059, Auburn, Georgia 30011.

City of Auburn, Georgia
Basic Financial Statements
For the Fiscal Year Ended September 30, 2014

City of Auburn, Georgia
Statement of Net Position
September 30, 2014

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
ASSETS			
Current Assets			
Cash and Cash equivalents	\$ 469,214	\$ 840,203	\$ 1,309,417
Receivables - Taxes	22,555		22,555
Other Accounts	45,400	126,984	172,384
Due from Other Governments	165,964		165,964
Prepaid Insurance	40,744	8,173	48,917
Restricted Current Assets			
Cash and Cash equivalents	501,114		501,114
Due from Other Governments	44,678		44,678
Non-Current Assets			
Capital Assets:			
Land and Construction in Progress	1,455,809	415,000	1,870,809
Other Capital Assets			
net of accumulated depreciation	5,247,361	4,448,622	9,695,983
TOTAL ASSETS	\$ 7,992,839	\$ 5,838,982	\$ 13,831,821
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 19,995	\$ 18,278	\$ 38,273
Refundable Deposits		21,400	21,400
Notes & Leases Payable - Current	125,563	432,693	558,256
Unearned Revenues	45,400		45,400
Compensated Absences	82,107	30,669	112,776
Non-Current Liabilities			
Notes & Leases Payable - Non Current	617,671	1,981,912	2,599,583
TOTAL LIABILITIES	\$ 890,736	\$ 2,484,952	\$ 3,375,688
NET POSITION			
Net Investment in Capital Assets	\$ 5,959,936	\$ 2,449,017	\$ 8,408,953
Restricted - Capital projects	537,841		537,841
Restricted - Health and Wellness	24		24
Restricted - Confiscated Assets	7,927		7,927
Unrestricted	596,375	905,013	1,501,388
TOTAL NET POSITION	\$ 7,102,103	\$ 3,354,030	\$ 10,456,133

See accompanying notes to Financial Statements

City of Auburn, Georgia
Statement of Activities
For the Fiscal Year Ended September 30, 2014

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business Type Activities	
			Grants and Contributions	Capital Contributions		Total	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 1,132,570	\$ 96,349	\$	\$ 355,383	\$ (680,838)	\$	\$ (680,838)
Public Safety	1,585,793	151,681		6,508	(1,427,604)		(1,427,604)
Public Works	331,027			291,524	(39,503)		(39,503)
Interest on Long Term Debt	24,798				(24,798)		(24,798)
Total Governmental Activities	\$ 3,074,188	\$ 248,030	\$ 0	\$ 653,415	\$ (2,172,743)	\$	\$ (2,172,743)
Business Type Activities:							
Water & Sewer	1,371,544	1,490,768				\$ 119,224	\$ 119,224
Stormwater	89,297	101,248				11,951	11,951
Total Business Type Activities	\$ 1,460,841	\$ 1,592,016	\$ 0	\$ 0		\$ 131,175	\$ 131,175
Total Primary Government	\$ 4,535,029	\$ 1,840,046	\$ 0	\$ 653,415	\$ (2,172,743)	\$ 131,175	\$ (2,041,568)
General Revenues:							
Taxes:							
Sales & Use Taxes - Local Option					\$ 976,811	\$	\$ 976,811
Property Taxes					771,251		771,251
Franchise Taxes					327,240		327,240
Alcohol Beverage Taxes					79,425		79,425
Insurance Premium Taxes					355,259		355,259
Other Taxes					52,062		52,062
Interest & Investment Earnings					638	466	1,104
Sale of capital assets					4,911		4,911
Miscellaneous					61,799	9,525	71,324
Total General Revenues					\$ 2,629,396	\$ 9,991	\$ 2,639,387
Change in Net Position							
Net Position-Beginning					\$ 456,653	\$ 141,166	\$ 597,819
Net Position-Ending					6,645,450	3,212,864	9,858,314
					\$ 7,102,103	\$ 3,354,030	\$ 10,456,133

See accompanying notes to Financial Statements

City of Auburn, Georgia
Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 469,214	\$ 493,163	\$ 7,951	\$ 970,328
Receivables - Taxes	22,555			22,555
Other Accounts	45,400			45,400
Due From Other Governments	165,964	44,678		210,642
Prepaid Insurance	40,744			40,744
TOTAL ASSETS	<u>\$ 743,877</u>	<u>\$ 537,841</u>	<u>\$ 7,951</u>	<u>\$ 1,289,669</u>
LIABILITIES				
Accounts Payable	\$ 19,995	\$		\$ 19,995
Unearned Revenues	45,400			45,400
TOTAL LIABILITIES	<u>\$ 65,395</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,395</u>
FUND BALANCES				
Nonspendable	\$ 40,744	\$		\$ 40,744
Unassigned - General Fund	637,738			637,738
Restricted - SPLOST Fund		537,841		537,841
Restricted - Health and Wellness			24	24
Restricted - Confiscated Assets			7,927	7,927
TOTAL FUND BALANCES	<u>\$ 678,482</u>	<u>\$ 537,841</u>	<u>\$ 7,951</u>	<u>\$ 1,224,274</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 743,877</u>	<u>\$ 537,841</u>	<u>\$ 7,951</u>	<u>\$ 1,289,669</u>

See accompanying notes to Financial Statements

City of Auburn, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2014

Total fund balance - total governmental funds	\$ 1,224,274
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)	\$ 9,313,737
Less accumulated depreciation	<u>(2,610,567)</u>
	6,703,170
Long-term Liabilities are not due and payable in the current period and are not reported in the funds	
Compensated absences	(82,107)
Capital Leases Payable	(99,984)
Notes Payable	<u>(643,250)</u>
	(822,341)
Net Position of Governmental Activities	\$ <u>7,102,103</u>

See accompanying notes to Financial Statements

City of Auburn, Georgia
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended September 30, 2014

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 2,562,048	\$	\$	\$ 2,562,048
Licenses and Permits	96,349			96,349
Fines and Forfeitures	148,108		3,573	151,681
Interest Income	453	185		638
Intergovernmental		606,666	599	607,265
Miscellaneous	61,799			61,799
TOTAL REVENUES	\$ 2,868,757	\$ 606,851	\$ 4,172	\$ 3,479,780
EXPENDITURES:				
Current Operations				
General Government	\$ 1,062,513	\$ 30,437	\$ 3,702	\$ 1,096,652
Public Safety	1,518,827		4,827	1,523,654
Public Works	242,782	87,361		330,143
Capital Outlay - General Government	5,212	6,482		11,694
Capital Outlay - Public Safety	58,407	57,116	1,198	116,721
Capital Outlay - Public Works		197,553		197,553
TOTAL EXPENDITURES	\$ 2,887,741	\$ 378,949	\$ 9,727	\$ 3,276,417
Revenues Over (Under) Expenditures	\$ (18,984)	\$ 227,902	\$ (5,555)	\$ 203,363
OTHER FINANCING SOURCES (USES)				
Debt Issuances	\$ 58,582	\$ 51,112	\$	\$ 109,694
Sale of Capital Assets	11,391			\$ 11,391
TOTAL OTHER FINANCING SOURCES (USES)	\$ 69,973	\$ 51,112	\$ 0	\$ 121,085
NET CHANGE IN FUND BALANCES	\$ 50,989	\$ 279,014	\$ (5,555)	\$ 324,448
FUND BALANCE - BEGINNING	627,493	258,827	13,506	899,826
FUND BALANCE - ENDING	\$ 678,482	\$ 537,841	\$ 7,951	\$ 1,224,274

See accompanying notes to Financial Statements

City of Auburn, Georgia
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, 2014

Net Changes in Fund Balances - Total Governmental Funds **\$ 324,448**

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

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	325,968	
Depreciation	<u>(215,359)</u>	110,609

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. (109,694)

Capital assets contributed are not reported on the fund level but are reported on the government-wide financial reporting level.

Donated Real Estate	46,150
---------------------	--------

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. 101,522

Compensated absences reported of 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	(9,902)
--------------------------------	---------

In the statement of activities, the net gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. The change in net position differs from the change in fund balance by the cost of the assets sold, net of the related accumulated depreciation. (6,480)

Change in net position of Governmental Activities	\$ <u>456,653</u>
--	--------------------------

City of Auburn, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts				
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Taxes					
Property Taxes	\$ 626,200	\$	\$ 626,200	\$ 517,370	\$ (108,830)
Motor Vehicle Taxes	267,000		267,000	253,881	(13,119)
Sales Taxes	900,000		900,000	976,811	76,811
Franchise Taxes	334,100		334,100	327,240	(6,860)
Alcohol Beverage Taxes	74,000		74,000	79,425	5,425
Insurance Premium Taxes	345,000		345,000	355,259	10,259
Other Taxes	56,075		56,075	52,062	(4,013)
Total Taxes	\$ 2,602,375	\$ 0	2,602,375	\$ 2,562,048	\$ (40,327)
Licenses and Permits	46,200		46,200	96,349	50,149
Fines and Forfeitures	185,206		185,206	148,108	(37,098)
Miscellaneous	44,050	12,461	56,511	61,799	5,288
Interest Earned	3,600		3,600	453	(3,147)
TOTAL REVENUES	\$ 2,881,431	\$ 12,461	\$ 2,893,892	\$ 2,868,757	\$ (25,135)
EXPENDITURES					
Current					
General Government					
Personal Services	\$ 508,759	\$	\$ 508,759	\$ 512,580	\$ (3,821)
Purchased/Contracted Services	430,163	22,723	452,886	458,681	(5,795)
Supplies	97,638	2,526	100,164	89,682	10,482
Other Costs	1,500		1,500	1,570	(70)
Capital Outlay		5,212	5,212	5,212	0
Total General Government	\$ 1,038,060	\$ 30,461	\$ 1,068,521	\$ 1,067,725	\$ 796
Public Safety					
Personal Services	\$ 1,336,388	\$	\$ 1,336,388	\$ 1,309,684	\$ 26,704
Purchased/Contracted Services	107,764		107,764	121,088	(13,324)
Supplies	79,270		79,270	79,183	87
Other Costs	7,456		7,456	8,872	(1,416)
Capital Outlay	18,330	58,582	76,912	58,407	18,505
Total Public Safety	\$ 1,549,208	\$ 58,582	\$ 1,607,790	\$ 1,577,234	\$ 30,556

See accompanying notes to Financial Statements

City of Auburn, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts			Actual	Variance
	Original	Revisions	Final		
Public Works					
Personal Services	\$ 90,437	\$ (18,000)	\$ 72,437	\$ 59,149	\$ 13,288
Purchased/Contracted Services	59,776		59,776	53,917	5,859
Supplies	144,950		144,950	129,716	15,234
Total Public Works	<u>\$ 295,163</u>	<u>\$ (18,000)</u>	<u>\$ 277,163</u>	<u>\$ 242,782</u>	<u>\$ 34,381</u>
TOTAL EXPENDITURES	<u>\$ 2,882,431</u>	<u>\$ 71,043</u>	<u>\$ 2,953,474</u>	<u>\$ 2,887,741</u>	<u>\$ 65,733</u>
EXCESS OF REVENUES OVER					
EXPENDITURES	<u>\$ (1,000)</u>	<u>\$ (58,582)</u>	<u>\$ (59,582)</u>	<u>\$ (18,984)</u>	<u>\$ 40,598</u>
OTHER FINANCING SOURCES (USES)					
Debt Issuances	\$	\$ 58,582	\$ 58,582	\$ 58,582	\$ 0
Sale of Capital Assets	1,000		1,000	11,391	10,391
TOTAL OTHER FINANCING					
SOURCES (USES)	<u>\$ 1,000</u>	<u>\$ 58,582</u>	<u>\$ 59,582</u>	<u>\$ 69,973</u>	<u>\$ 10,391</u>
REVENUES AND OTHER SOURCES					
(UNDER) EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,989</u>	<u>\$ 50,989</u>
FUND BALANCE - BEGINNING OF YEAR				<u>\$ 627,493</u>	
FUND BALANCE - END OF YEAR				<u>\$ 678,482</u>	

See accompanying notes to Financial Statements

City of Auburn, Georgia
Statement of Net Position
Proprietary Funds
September 30, 2014

	<u>Water & Sewer System</u>	<u>Stormwater Utility</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 820,735	\$ 19,468	\$ 840,203
Receivables, Net	116,924	10,060	126,984
Prepaid Insurance	8,173		8,173
Total Current Assets	<u>\$ 945,832</u>	<u>\$ 29,528</u>	<u>\$ 975,360</u>
Non-Current Assets:			
Capital Assets:			
Land and Construction in Progress	\$ 415,000	\$	\$ 415,000
Other Capital Assets, net of accumulated depreciation	<u>4,373,050</u>	<u>75,572</u>	<u>4,448,622</u>
Total Non-Current Assets	<u>\$ 4,788,050</u>	<u>\$ 75,572</u>	<u>\$ 4,863,622</u>
TOTAL ASSETS	<u><u>\$ 5,733,882</u></u>	<u><u>\$ 105,100</u></u>	<u><u>\$ 5,838,982</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 18,278	\$	\$ 18,278
Refundable Deposits	21,400		21,400
Note Payable, Current	432,693		432,693
Compensated Absences	25,815	4,854	30,669
Non-Current Liabilities:			
Note Payable, Non-Current	<u>1,981,912</u>		<u>1,981,912</u>
TOTAL LIABILITIES	<u><u>\$ 2,480,098</u></u>	<u><u>\$ 4,854</u></u>	<u><u>\$ 2,484,952</u></u>
NET POSITION			
Net Investment in capital assets	\$ 2,373,445	\$ 75,572	\$ 2,449,017
Unrestricted	<u>880,339</u>	<u>24,674</u>	<u>905,013</u>
TOTAL NET POSITION	<u><u>\$ 3,253,784</u></u>	<u><u>\$ 100,246</u></u>	<u><u>\$ 3,354,030</u></u>

See accompanying notes to Financial Statements

City of Auburn, Georgia
Statement of Revenues, Expenses
and Changes in Funds Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2014

	Water & Sewer System	Stormwater Utility	Totals
Operating Revenues:			
Charges for Service	\$ 1,490,768	\$ 101,248	\$ 1,592,016
Other	9,525		9,525
Total Operating Revenues	\$ 1,500,293	\$ 101,248	\$ 1,601,541
Operating Expenses:			
Personal Services and Benefits	\$ 554,057	\$ 51,619	\$ 605,676
Purchased/Contracted Services	148,879	27,917	176,796
Water Purchases	343,580		343,580
Supplies	112,794	9,176	121,970
Depreciation	116,553	585	117,138
Total Operating Expenses	\$ 1,275,863	\$ 89,297	\$ 1,365,160
Operating Income (Loss)	\$ 224,430	\$ 11,951	\$ 236,381
Nonoperating Revenues(Expenses)			
Interest Income	\$ 466	\$	\$ 466
Interest Expense	(95,681)		(95,681)
Total Nonoperating Revenues(Expenses)	\$ (95,215)	\$ 0	\$ (95,215)
Net Income (Loss)	\$ 129,215	\$ 11,951	\$ 141,166
Transfers	\$ 0	\$ 0	\$ 0
Change in Net Position	\$ 129,215	\$ 11,951	\$ 141,166
Total Net Position - Beginning of Year	3,124,569	88,295	3,212,864
Total Net Position - End of Year	\$ 3,253,784	\$ 100,246	\$ 3,354,030

See accompanying notes to Financial Statements

City of Auburn, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2014

	<u>Water & Sewer Fund</u>	<u>Stormwater Utility</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,495,239	\$ 105,594	\$ 1,600,833
Payments to suppliers	(455,413)	(9,176)	(464,589)
Payments to employees	(373,956)	(39,819)	(413,775)
Other payments	(324,943)	(39,449)	(364,392)
Net Cash Provided by Operating Activities	<u>\$ 340,927</u>	<u>\$ 17,150</u>	<u>\$ 358,077</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	\$ (213,967)	\$	\$ (213,967)
Loan Proceeds	211,163		211,163
Principal Payments	(101,690)		(101,690)
Interest Expense	(95,681)		(95,681)
Total Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (200,175)</u>	<u>\$ 0</u>	<u>\$ (200,175)</u>
Cash Flows from Investing Activities:			
Interest Income	\$ 466	\$	\$ 466
Total Cash Flows Provided by Investing Activities:	466	0	466
Net Increase (Decrease) in Cash	\$ 141,218	\$ 17,150	\$ 158,368
Cash and Cash Equivalents - Beginning of Year	<u>679,517</u>	<u>2,318</u>	<u>681,835</u>
Cash and Cash Equivalents - End of Year	<u>\$ 820,735</u>	<u>\$ 19,468</u>	<u>\$ 840,203</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net Operating Income/(Loss)	\$ 224,430	\$ 11,951	\$ 236,381
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	116,553	585	117,138
(Increase)/Decrease - Accounts Receivable	(5,054)	4,346	(708)
(Increase)/Decrease - Prepaids	577		577
Increase/(Decrease) - Accounts Payable	961		961
Increase/(Decrease) - Customer Deposits	(2,200)		(2,200)
Increase/(Decrease) - Compensated Absences	5,660	268	5,928
Net Cash Provided by Operating Activities	<u>\$ 340,927</u>	<u>\$ 17,150</u>	<u>\$ 358,077</u>

See accompanying notes to Financial Statements

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

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 levels 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 has no component units that meet the criteria for discrete presentation in the primary government financial reporting entity. The City's Downtown Development Authority has no assets and all activities are reported under the General Fund.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies, continued

B. Financial Reporting Entity - Basis of Presentation, continued

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 but 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.

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.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies, continued

B. Financial Reporting Entity - Basis of Presentation, continued

2. Government-wide and Fund Financial Statements

Fund Accounting

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 and 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 renovating 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 Fund and SPLOST Fund 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. Other revenues and expenses are classified as non-operating in the financial statements. Proprietary fund types utilized by the City are the Water & Sewer and Stormwater Utility Funds. Both are treated as 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.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies, continued

B. Financial Reporting Entity - Basis of Presentation, continued

3. Measurement Focus - continued

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 uses (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 a 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 statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides 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.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies, continued

D. 1. Cash, Cash Equivalents, and Investments - continued

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 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 of 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 fiscal 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 than 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 are 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 five thousand dollars. 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.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies, continued

D. 5. Capital Assets - continued

Capital assets are depreciated using the straight-line method. When capital assets are disposed 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

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. Governmental 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 refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates 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.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies, continued

D. 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. Unassigned 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 expenditure.

Net Position

Net position represents the difference between assets and liabilities. Net investment in 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 other governments. All other net position is reported as unrestricted.

Restricted net position as of September 30, 2014, included \$537,841 held in the SPLOST Fund, \$24 of health and wellness grant receipts and \$7,927 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 & sewage, transportation services and stormwater user 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 nonoperating.

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.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 2. Changes in Accounting Principles, Fund Reclassifications and Restatement of Equity

A. Changes in Accounting Principles

For the Fiscal Year beginning October 1, 2003, the City implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." GASB Statement No. 34 creates new basic financial statements for reporting the City's financial activities. The financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in a single column.

The government-wide financial statements classify the City's programs between governmental activities and business-type activities. The beginning net position amount for the business-type activities equals fund equity of the enterprise fund from the prior year. The beginning net position amount for governmental programs reflect the change in fund balance for governmental funds at September 30, 2003, caused by the conversion to the accrual basis of accounting.

B. Restatement of Equity Balances

Restatement of fund equity had no effect on the General Fund as a result of GASB Interpretation No. 6.

Note 3. 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 Projects, 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.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 3. Stewardship, Compliance and Accountability - continued

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, 2014.

D. Excess of Expenditures over Appropriations

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

Note 4. 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 agent 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	Carrying
	1	2	3	Balance	Amount
Primary Government	\$ 1,832,253	\$ 0	\$ 0	\$ 1,832,253	1,810,531
Totals	\$ 1,832,253	\$ 0	\$ 0	\$ 1,832,253	\$ 1,810,531

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds - continued

A. Deposits and Investments - continued

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.

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:

Primary Government	Property Taxes	Accounts	Allowance for Uncollectibles	Net Receivables
General Fund	\$ 22,555	\$ 114,223	\$ 68,823	\$ 67,955
Water & Sewer System Fund		118,889	1,965	116,924
Stormwater Fund		10,060		10,060
Total Primary Government	\$ 22,555	\$ 243,172	\$ 70,788	\$ 194,939

C. Due from Other Governments

The City recorded sales and use tax receipts for August and September 2014 due from the Georgia Department of Revenue in the amount of \$165,964. The August 2014 receivable in the amount of \$83,960 was received October 2014. The September 2014 receivable in the amount of \$82,004 was received in November 2014. Additionally, SPLOST receipts receivable were recorded for \$42,082 due from Barrow County and \$2,596 due from Gwinnett County.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds - continued

D. Capital Assets

A summary of changes in Capital Assets follows:

Governmental Activities	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Capital Assets not being depreciated				
Land	\$1,446,409	\$9,400		\$1,455,809
Total Capital Assets not being depreciated	\$1,446,409	\$9,400	\$0	\$1,455,809
Other Capital Assets:				
Buildings	\$1,768,753	\$43,232		\$1,811,985
Vehicles & Equipment	1,949,644	121,933	\$21,600	2,049,977
Infrastructure	3,798,413	197,553		3,995,966
Total Other Capital Assets	\$7,516,810	\$362,718	\$21,600	\$7,857,928
Accumulated Depreciation:				
Buildings	\$304,708	\$40,281		\$344,989
Vehicles & Equipment	1,670,106	95,714	\$15,120	1,750,700
Infrastructure	435,514	79,364		514,878
Total Accumulated Deprec.	\$2,410,328	\$215,359	\$15,120	\$2,610,567
Governmental Activities - Capital assets, net	\$6,552,891	\$156,759	\$6,480	\$6,703,170

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

D. Capital Assets - Continued

Business-type Activities	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Capital Assets not being depreciated				
Land	\$95,950			\$95,950
Construction in Progress	105,083	\$213,967		319,050
Total Capital Assets not being depreciated	\$201,033	\$213,967	\$0	\$415,000
Other Capital Assets				
Infrastructure and Distribution Systems	\$5,434,807			\$5,434,807
Equipment	142,904			142,904
Vehicles	254,049			254,049
Total Other Capital Assets	\$5,831,760	\$0	\$0	\$5,831,760
Accumulated Depreciation				
Infrastructure and Distribution Systems	\$898,623	\$108,696		\$1,007,319
Equipment	127,828	3,942		131,770
Vehicles	239,549	4,500		244,049
Total Accumulated Deprec.	\$1,266,000	\$117,138	\$0	\$1,383,138
Business-type Activities Capital Assets, net	\$4,766,793	\$96,829	\$0	\$4,863,622

Commitments

The City has committed to planning and design activities regarding a reservoir the City may construct in the amount of \$546,000. This project will be funded by loans proceeds from GEFA. As of September 30, 2014, the city had spent \$319,050 pertaining to this project.

Depreciation Expense

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

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
General Government	\$70,201	Water & Sewer Fund	\$116,553
Public Safety	57,699	Stormwater Utility Fund	585
Public Works	87,459		

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

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, 2014.

	Interfund		Transfers	
	Receivable	Payable	To	From
Governmental Activities				
General	\$	\$	\$	\$
SPLOST				
Business-type Activities				
Water & Sewer				
Stormwater Utility				
Transit System				
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 0	\$ 0	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>	<hr/>

F. Property Tax Calendar

The City receives property tax assessments from Barrow and Gwinnett County. Taxes were levied on November 7th and tax bills were mailed to taxpayers by January 6th. The due date for these taxes were March 7th, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date is July 31st. 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.

G. Long-Term Debt

Long-Term Debt Supporting Governmental Activities

During the 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 during 2014. The Note Payable totaled \$51,112 and will be repaid over three years with monthly installments of \$1,485.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

G. Long-Term Debt, continued

During 2011, the City entered into a lease to purchase lighting equipment in the amount of \$133,815 for the City's recreational facilities. This agreement is to be repaid over five years by monthly installments of \$2,536. Accumulated depreciation on leased assets was \$17,155, net book value was \$175,068 at year end and \$10,464 was included in depreciation expense for leased assets. 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.

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 in the amount of \$546,000 to fund planning and design expenses for a city reservoir. As of September 30, 2014, the city had drawn \$326,649. 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.

Changes in Long-Term Debt

PRIMARY GOVERNMENT	Balance			Balance	Due Within
<i>Governmental Activities</i>	10/1/2013	Issued	Retired	9/30/2014	One Year
Compensated Absences	\$72,205	\$102,321	\$92,419	\$82,107	\$82,107
Leases Payable	75,992	58,582	34,590	99,984	39,883
Notes Payable	659,070	51,112	66,932	643,250	85,680
Total Governmental Activities	\$807,267	\$212,015	\$193,941	\$825,341	\$207,670
 <i>Business-type Activities</i>					
Compensated Absences	\$24,741	\$29,663	\$23,735	\$30,669	\$30,669
Notes Payable - GEFA	2,189,646		101,690	2,087,956	106,044
Interim Financing - GEFA	115,486	211,163		326,649	326,649
Total Business-type Activities	\$2,329,873	\$240,826	\$125,425	\$2,445,274	\$463,362
 Total Primary Government	\$3,137,140	\$452,841	\$319,366	\$3,270,615	\$671,032

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

G. Long-Term Debt, continued

PRIMARY GOVERNMENT - DEBT SERVICE REQUIREMENTS

	<u>Original Issuance Amount</u>	<u>Interest Rate</u>	<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
<i>Governmental Activities</i>					
Lease Payable	\$133,815	4.85%	2015	\$28,711	\$1,726
		4.85%	2016	19,927	364
				<u>\$48,638</u>	<u>\$2,090</u>
Lease Payable	\$58,582	3.48%	2015	\$11,172	\$1,610
		3.48%	2016	11,567	1,215
		3.48%	2017	11,976	806
		3.48%	2018	12,400	382
		3.48%	2019	4,231	31
				<u>\$51,346</u>	<u>\$4,044</u>
Totals - Leases Payable				<u>\$99,984</u>	<u>\$6,134</u>
Note Payable	\$745,000	3.25%	2015	\$69,140	\$18,221
		3.25%	2016	71,421	15,940
		3.25%	2017	73,777	13,574
		3.25%	2018	76,211	11,150
		3.25%	2019	78,725	8,636
		3.25%	2020 - 22	222,864	10,098
				<u>\$592,138</u>	<u>\$77,619</u>
Note Payable	\$51,112	2.90%	2015	\$16,540	\$1,281
		2.90%	2015	17,031	790
		2.90%	2016	17,541	280
				<u>\$51,112</u>	<u>\$2,351</u>
Totals - Note Payable				<u>\$643,250</u>	<u>\$79,970</u>
<i>Totals - Governmental Activities</i>				<u>\$743,234</u>	<u>\$86,104</u>
<i>Business-type Activities</i>					
Note Payable - GEFA	\$2,591,109	4.20%	2015	106,044	90,022
		4.20%	2016	110,585	85,668
		4.20%	2017	115,320	81,128
		4.20%	2018	120,257	76,393
		4.20%	2019	125,406	71,455
		4.20%	2020-24	712,326	246,235
		4.20%	2025-29	798,018	80,664
<i>Totals - Business-type Activities</i>				<u>\$2,087,956</u>	<u>\$731,565</u>

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

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.

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 claim or loss.

There were no significant reductions in insurance coverage from the prior year, and there have been no settled claims in the past three years that have exceeded the coverage.

I. Litigation

The City Attorney advised that no legal actions were in progress by or against the City at September 30, 2014, 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 \$272,628 of SPLOST during the current year which includes principal and interest payments on debt.

The City received Local Maintenance and Improvement Grants (LMIG) from the Georgia Department of Transportation in the amount of \$99,640. The City was in compliance with the grant restrictions.

Federal Laws

The City's police department was awarded a grant from the US Department of Justice in the amount of \$599 to be used to purchase police equipment.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

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

City was not involved in any significant related party transactions during the current operations.

M. Retirement/Pension Plans

Plan Description

As authorized by the City council through passage of an ordinance, the City participates in a defined benefit agent-multiple-employer retirement plan (*City of Auburn Retirement Plan*), which is administered through the Georgia Municipal Employees Benefit System (**GMEBS**). The plan covers substantially all of the City's employees. The Plan provides retirement, disability and death benefits to Plan participants and their beneficiaries. The Plan's actuarial valuation is not computed for individual funds of the City that participates in the plan. Accordingly, the pension plan disclosures herein are for the Plan as a whole.

The City is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the funding standards for state and local governmental pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirements.

The Georgia Constitution enables the governing authority, the City Council, to establish and amend from time to time, the contribution rates of the employer and its plan members. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. A copy of that report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street, S.W., Atlanta, GA 30303.

Employees working a minimum of twenty (20) hours per week are eligible for participation after one year of continuous service. Employees are entitled to 50% vested benefits after five years, 60% after six years, 70% after seven years, 80% after eight years, 90% after nine years, and 100% after ten years of credited service.

The total current fiscal year payroll for the City was \$1,732,051. Total covered payroll was \$1,424,184 for the fiscal year. At January 1, 2014 (date of most recent actuarial valuation) the plan covered 39 active employees, 17 former vested employees, and 9 retired employee.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

M. Retirement/Pension Plans, continued

Funding Policy

The City's plan is a non-contributory plan, which means the City bears the entire cost of the plan. Covered employees are not required to contribute to the plan. The City contributed the entire cost of \$99,436 to the Plan for the fiscal year ended September 30, 2014. This cost was determined using the actuarial basis known as the projected unit credit method.

The City's contributions to the Plan for the fiscal years ending September 30, 2014, 2013 and 2012, were \$99,436, \$95,419, and \$117,539 respectively, and were equal to the required contribution for each year.

Transition Year

The pension liability at transition of \$1,049,844 was determined in accordance with GASB 27, paragraph 37. Previously reported pension liability was \$915,562.

Annual Pension Cost

A Schedule of the Employer's Annual Pension Cost, which equals its required contributions, for the last three years follows:

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed
9/30/2014	99,436	100%
9/30/2013	95,419	100%
9/30/2012	117,539	100%

Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar (Closed)
Remaining amortization period	Varies
Asset Valuation Method	Market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	11.00% - 4.00%
Included inflation at	3.50%
Merit or seniority increases at	7.50% - .50%
Cost-of-living adjustments	0.00%
Post-retirement Benefit increases	N/A

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

M. Retirement/Pension Plans, continued

Analysis of Funding Progress

Expressing net assets available for benefits as a percentage of the actuarial accrued liability provides an indication of the plan's funding status on a going concern basis. Analysis of this percentage indicates whether the plan is becoming financially stronger or weaker. Generally the greater this percentage, the stronger the plan. Trends in both actuarial liability and annual covered payroll are affected by inflation. Expressing the actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in analysis of the plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage the stronger the plan. Historical trend information follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1)/(2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered P/R (Prior Year)	(6) UAAL as % of Covered P/R (1)/(5)
2005	152,047	161,131	94.4%	9,084	695,555	1.3%
2006	204,186	218,678	93.4%	14,492	773,555	1.9%
2007	263,863	324,523	81.3%	60,660	1,098,797	5.5%
2008	343,941	381,507	90.2%	37,566	1,014,534	3.7%
2009	357,593	503,300	71.0%	145,707	1,482,935	9.8%
2010	458,235	572,005	80.1%	113,770	1,574,490	7.2%
2011	586,260	699,430	83.8%	113,170	1,604,326	7.1%
2012	704,866	808,916	87.1%	104,050	1,420,761	7.3%
2013	845,920	915,562	92.4%	69,642	1,478,616	4.7%
2014	981,548	1,049,844	93.5%	68,296	1,424,184	4.8%

N. Other Post-Employment Benefits

The City does not provide post retirement benefits other than pension benefits as outlined in Note 4M.

City of Auburn, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2014

Note 4. Detailed Notes on All Funds, continued

O. Net Position

Net position on the statement of net position as of September 30, 2014 are as follows:

	Governmental Activities	Business Type Activities
Net investment in capital assets		
Cost of capital assets	\$9,313,737	\$6,246,760
Less: accumulated depreciation	2,610,567	1,383,138
Book Value	\$6,703,170	\$4,863,622
Less capital related debt	743,234	2,414,605
Net investment in capital assets	<u>\$5,959,936</u>	<u>\$2,449,017</u>

Note 5. 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, 2014, 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 the 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
Supplemental Statements and Schedules
For the Fiscal Year Ended September 30, 2014

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, 2014

	Budgeted Amounts			Actual	Variance
	Original	Revisions	Final		
REVENUES					
Fines & Forfeitures	\$ 12,000	\$	\$ 12,000	\$ 3,573	\$ (8,427)
Intergovernmental	4,000		4,000	599	(3,401)
Fund Balance Carryover			0		0
TOTAL REVENUES	<u>\$ 16,000</u>	<u>\$ 0</u>	<u>\$ 16,000</u>	<u>\$ 4,172</u>	<u>\$ (11,828)</u>
EXPENDITURES					
Current					
General Government	\$ 4,000	\$	\$ 4,000	\$ 3,702	\$ 298
Police	12,000		12,000	4,827	7,173
Capital Outlay					
Police			0	1,198	(1,198)
TOTAL EXPENDITURES	<u>\$ 16,000</u>	<u>\$ 0</u>	<u>\$ 16,000</u>	<u>\$ 9,727</u>	<u>\$ 6,273</u>
REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,555)</u>	<u>\$ (5,555)</u>
OTHER FINANCING SOURCES (USES)					
Transfers	\$	\$	\$ 0	\$	\$ 0
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,555)</u>	<u>\$ (5,555)</u>
FUND BALANCE - BEGINNING OF YEAR				<u>\$ 13,506</u>	
FUND BALANCE - END OF YEAR				<u><u>\$ 7,951</u></u>	

City of Auburn, Georgia
Enterprise Fund - Water & Sewer
Schedule of Revenues, Expenses and Changes in
Net Position - Budget and Actual
For the Year Ended September 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Metered Sales	\$ 1,551,200	\$ 1,394,505	\$ (156,695)
Sewer Charges	26,000	27,585	1,585
Tapping Fees	8,000	10,500	2,500
Penalties & Late Fees	64,495	67,703	3,208
Total Operating Revenues	<u>\$ 1,649,695</u>	<u>\$ 1,500,293</u>	<u>\$ (149,402)</u>
Operating Expenses:			
Personal Services & Benefits	\$ 540,511	\$ 554,057	\$ (13,546)
Purchased/Contracted Services	147,537	148,879	(1,342)
Water Purchases	379,500	343,580	35,920
Supplies	138,430	112,794	25,636
Depreciation	109,587	116,553	(6,966)
Total Operating Expenses	<u>\$ 1,315,565</u>	<u>\$ 1,275,863</u>	<u>\$ 39,702</u>
Net Operating Income	<u>\$ 334,130</u>	<u>\$ 224,430</u>	<u>\$ (109,700)</u>
Non-operating Income and			
(Expenses):			
Interest Income	\$ 3,600	\$ 466	\$ (3,134)
Interest Expense	(92,579)	(95,681)	(3,102)
Transfers	<u> </u>	<u> </u>	<u>0</u>
Net Non-operating			
Income/(Expense)	<u>\$ (88,979)</u>	<u>\$ (95,215)</u>	<u>\$ (6,236)</u>
Net Income/(Loss)	<u><u>\$ 245,151</u></u>	<u><u>\$ 129,215</u></u>	<u><u>\$ (115,936)</u></u>
Net Position -			
Beginning of Year		<u>3,124,569</u>	
End of Year		<u><u>\$ 3,253,784</u></u>	

City of Auburn, Georgia
Enterprise Fund - Stormwater Utility
Schedule of Revenues, Expenses and Changes in
Net Position - Budget and Actual
For the Year Ended September 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Stormwater User Fees	\$ 106,000	\$ 101,248	\$ (4,752)
Total Operating Revenues	<u>\$ 106,000</u>	<u>\$ 101,248</u>	<u>\$ (4,752)</u>
Operating Expenses:			
Personal Services & Benefits	\$ 51,191	\$ 51,619	\$ (428)
Purchased/Contracted Services	18,499	27,917	(9,418)
Supplies	6,500	9,176	(2,676)
Depreciation	29,810	585	29,225
Total Operating Expenses	<u>\$ 106,000</u>	<u>\$ 89,297</u>	<u>\$ 16,703</u>
Net Operating Income	<u>\$ 0</u>	<u>\$ 11,951</u>	<u>\$ 11,951</u>
Net Income/(Loss)	<u>\$ 0</u>	<u>\$ 11,951</u>	<u>\$ 11,951</u>
Net Position -			
Beginning of Year		<u>88,295</u>	
End of Year		<u>\$ 100,246</u>	

City of Auburn, Georgia
Special Schedules and Reports
For the Fiscal Year Ended September 30, 2014

City of Auburn, Georgia
Schedule of Project Expenditures with
Special Purpose Local Option Sales Tax Revenue
For the Fiscal Year Ended September 30, 2014

	Original Estimated Cost	Prior Years	EXPENDITURES Current Year	Total	% of Completion
Project - 2008 Gwinnett County					
PUBLIC WORKS:					
<i>Road Improvements</i>	\$ 75,000	\$ 14,793	\$ 104	\$ 14,897	20%
GENERAL GOVERNMENT:					
<i>Recreation Facilities</i>	189,528			0	0%
PROJECT TOTALS	<u>\$ 264,528</u>	<u>\$ 14,793</u>	<u>\$ 104</u>	<u>\$ 14,897</u>	
Project - 2011 Barrow County					
GENERAL GOVERNMENT:					
<i>Recreation</i>	\$ 1,580,732	\$ 20,005	\$ 6,786	\$ 26,791	2%
<i>Governmental Buildings</i>	588,636		2,779	2,779	
PUBLIC WORKS:					
<i>Road Improvements - Paving</i>	600,000	134,842	90,997	225,839	22%
<i>Facility</i>	700,000	805,043	20,429	825,472	100%
PROJECT TOTALS	<u>\$ 3,469,368</u>	<u>\$ 959,890</u>	<u>\$ 120,991</u>	<u>\$ 1,080,881</u>	
Project - 2014 Gwinnett County					
PUBLIC WORKS:					
<i>Road Improvements</i>	\$ 90,258	\$	\$ 131	\$ 131	0%
PUBLIC SAFETY:					
<i>Police Equipment</i>	54,809		57,116	57,116	100%
PROJECT TOTALS	<u>\$ 145,067</u>	<u>\$ 0</u>	<u>\$ 57,247</u>	<u>\$ 57,247</u>	
SPLOST TOTALS	<u>\$ 3,878,963</u>	<u>\$ 974,683</u>	<u>\$ 178,342</u>	<u>\$ 1,153,025</u>	

NOTE:

Not reflected in the above schedule:

Long-term debt principal payments of \$94,286.
Expenditures funded with LMIG receipts of \$106,321.

HUBERT A. BRISCOE, CPA

Certified Public Accountant

AICPA MEMBER AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 531

47 North Center Street

Winder, Georgia 30680-0531

Office (770) 867-1270 / Fax (770) 867-8798

CPA MEMBER GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**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, as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Auburn, Georgia's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Auburn, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances of the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Auburn, Georgia's internal control. Accordingly, we do not express an opinion of the effectiveness of City of Auburn, Georgia'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 limitation, 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 of Auburn, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 *Governmental 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 *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


HUBERT A. BRISCOE, CPA
Winder, Georgia 30680-0530
March 30, 2015