



City of Auburn

CITY OF AUBURN, AL

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2020

MANAGEMENT TEAM



Megan McGowen Crouch, *City Manager*

Rick Davidson, *City Attorney*

Alfred Davis, Sr., *Community Services Director*

Scott Cummings, *Development Services Exec. Director*

Phillip Dunlap, *Economic Development Director*

Alison Frazier, *Engineering Services Director*

Catrina Cook, *Environmental Services Director*

Allison Edge, *Finance Director/Treasurer*

Kristen Reeder, *Human Resources Director*

Greg Nelson, *Information Technology Director*

John Hoar, *Inspection Services Director*

Tyler Whitten, *Library Director*

James McLaughlin, *Municipal Judge*

Rebecca O. Richardson, *Parks and Recreation Director*

Katherine Robison, *Acting Planning Director*

Paul Register, *Public Safety Director*

Timothy Woody, *Public Works Director*

Eric A. Carson, *Water Resource Mgt. Director*

David D. Dorton, *Public Affairs Director*

CITY COUNCIL

Ron Anders, Jr, *Mayor*

Connie Fitch Taylor, *Ward 1*

Kelley Griswold, *Ward 2*

Beth Witten, *Mayor Pro Tem, Ward 3*

Brett Smith, *Ward 4*

Steven Dixon, *Ward 5*

Bob Parsons, *Ward 6*

Jay Hovey, *Ward 7*

Tommy Dawson, *Ward 8*

PREPARED BY THE CITY OF AUBURN FINANCE DEPARTMENT

Allison Edge, CPA, CGMA, *Finance Director/Treasurer*

Erika Sprouse, CPA, *Assistant Finance Director/Treasurer*

Heidi Lowery, *Principal Financial Analyst*

Rachel Seibenhener, *Purchasing Officer*

Lowrey Stucky, *Finance Information Officer*

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 31, 2021

To the Mayor, Members of Council, and the Citizens of the City of Auburn:

The Comprehensive Annual Financial Report (the annual report) of The City of Auburn (the government) for the fiscal year ended September 30, 2020 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The Report

The annual report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, and the primary government's organization chart. The financial section includes the management's discussion and analysis (MD&A), the basic financial statements including notes for the primary government and its separately presented component units, and the primary government's combining and individual financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The MD&A contains a narrative introduction, overview, and analysis of the City's financial statements. It should be read in conjunction with this letter of transmittal. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. In contrast to the financial section information, the statistical section information has not been audited.

This report includes all funds of the primary government and its component units. The primary government provides a full range of services. These services include public safety, public works, development services, environmental services, culture and recreation, economic and community development, and general administrative services. Component units of the City of Auburn include the Auburn City Board of Education, Water Works Board of the City of Auburn, Industrial Development Board of the City of Auburn, Commercial Development Authority of the City of Auburn, Auburn Downtown Redevelopment Authority, and City of Auburn Public Park and Recreation Board. All have been included as separately presented component units of the City's reporting entity in the annual report. Please see note 1.A for details of the reporting entity.

Governmental Accounting Standards Board (GASB) Reporting Requirements The City of Auburn presents financial information that meet the requirements of accounting standards issued by the GASB. Each year, management evaluates new GASB reporting requirements to determine applicability to the City. The requirements issued by GASB that became effective during this fiscal period and those that will become effective in the next fiscal period are described in this section.

The City implemented the following statements during fiscal year 2020:

- GASB Statement 83, "Certain Asset Retirement Obligations," addresses accounting and financial reporting for certain legally enforceable liabilities associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement does not currently affect the City.
- GASB Statement 84, "Fiduciary Activities," establishes criteria for identifying fiduciary activities by focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.
- GASB Statement 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, as well as simplifies the accounting for interest cost incurred before the end of a construction period. The City early implemented this statement for the fiscal 2020 reporting period.
- GASB Statement 95, "Postponement of the Effective Dates of Certain Authoritative Guidance," extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.
- GASB Statement 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). This statement becomes effective during fiscal 2022; however, the following portions of this statement are effective immediately and do not currently affect the City:
 - Exempts primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans.
 - Limits the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively.

Management is aware of the following statements and will implement those applicable to the City in the next fiscal period:

- GASB Statement 90, "Majority Equity Interests," improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. This statement is effective for the fiscal 2021 reporting period.

City Profile

The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated in Lee County in February of 1839. The establishment of Auburn University in 1856 marked the beginning of a mutually beneficial partnership producing what *Demographics Daily* recognized as a small city "dream town," offering a high quality of life to all its citizens.

During 2020, Auburn was included on Livability's list of Top 100 Best Small to Mid-Sized Cities to Live in the U.S. Zippia ranked Auburn number 5 on the best cities for working families. Business Insider ranked Auburn number 11 on its list of the Top 20 College Towns in which to Start a Career in the U.S.

Located near Georgia's west central border, Auburn is conveniently located on Interstate Highway 85, 115 miles southwest of Atlanta and 60 miles east of Montgomery, the Alabama State Capital. Auburn is 120 miles southeast of Birmingham, the largest city in Alabama, and is 40 miles northwest of Columbus, Georgia's second largest city. With easy access to highway, rail, and air transportation, Auburn's location has been a significant factor in its continuing growth.



Auburn is conveniently located on Interstate 85.

Auburn has been among the fastest growing communities in Alabama, since beginning humbly in 1900 with a population of 1,831. During the past five decades, the City has seen tremendous growth from 22,767 residents in 1970 to 66,254 residents per the U. S. Census Bureau. As the population has grown and the economic base diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multicultural citizenry.

Auburn has a Council-Manager form of municipal government. The City Council consists of nine members: eight elected from eight single-member wards, and the Mayor, who is elected at large. This legislative body establishes policy to guide the various City departments in providing services to its citizens. The City Manager is the chief executive officer of the City, directing and

managing the daily activities of the city government. James C. Buston, III retired January 31, 2021, having served as City Manager since March 2017. The Auburn City Council appointed Assistant City Manager Megan McGowen Crouch as City Manager. City departments include:

Office of the City Manager	Public Safety
Judicial	Public Works
Information Technology	Environmental Services
Finance	Social and Economic Development
Library	Parks and Recreation
Human Resources	Development Services

Approximately 494 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

In fiscal year 2020, the City continued to prioritize school funding. The City contributed \$13.3 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

During fiscal 2020, the City issued \$16.0 million in general obligation warrants for construction of a new municipal parking deck, \$37.1 million in general obligation bonds for Auburn City Schools renovation projects, and \$14.6 million in general obligation warrants to refund the 2010 general obligation warrants that will reduce interest costs over the remaining life of the loan.

The City received various COVID-19 grants from the federal government through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds were passed through from the State of Alabama. The funds were used for the purchase of personal protective equipment for City employees, cleaning and sanitization of City buildings, workplace safety barriers, payroll related costs, support of the City's employee health clinic (City Care), and to help set up working remotely.

Construction began on the Wright Street Parking Deck project. The project will involve constructing a new concrete parking deck that will provide approximately 350 parking spaces and contain space for the Baptist Campus Ministry on the ground floor. Exterior improvements will include a new pocket park on College Street, landscaping and irrigation, and site lighting.

Construction began on several projects on the Boykin Campus.

- Boykin Center Renovations Phase 2A – Clinic. Renovations include converting 3 rooms to a new clinic run by Auburn University.
- Boykin Technology Resource Center which consisted of computers and desks for a computer lab.
- Boykin Campus programming for additional future improvements that are part of the Parks, Recreation and Cultural Master Plan (PRCMP)/Northwest Auburn Plan.

Also, as part of the PRCMP, design began on the soccer complex and Jan Dempsey Community Arts Center (JDCAC) renovations and construction began on the Town Creek Inclusive Playground project. An inclusive playground allows children of all abilities and developmental stages to play in the same space and creates a nurturing environment for all. The project includes a restroom building, a covered pavilion, entrance columns with seat walls, and a walking trail.

Two major bridge improvements began. The Ogletree Road culvert replacement consists of replacing a culvert that had reached the end of its useful life by replacing the existing corrugated metal pipe culverts with a new double barrel, bottomless, cast-in-place concrete culvert on Ogletree Road at Moores Mill Creek. A portion of this project is funded by a \$250,000 grant from the Alabama Department of Transportation through the 2020 Rebuild Alabama Act Annual Grant program. The Farmville Road culvert replacement consists of replacing existing 40+ year old culverts on Farmville Road below the Preserve Lake Dam with a triple barrel 10' x 9' concrete culvert. The culvert was damaged by a storm in April 2020, thus necessitating the culvert replacement. The new culvert will meet the needs of any future widening of Farmville Road.

In conjunction with Auburn University, several improvements were completed along South College Street, a major arterial roadway, such as median landscaping and irrigation at the Auburn University parking deck and at the intersection of South College Street/Thach Avenue, the future Rane Culinary Building.

Government Services

Public Safety Services The Public Safety Department is comprised of four divisions: Police, Fire, Emergency Management/Communications, and Administration. In fiscal year 2020, the department handled and/or responded to over 261,000 calls. The Police Division includes 147 full-time and 13 part-time sworn officer positions, providing an average emergency call response time of 2-3 minutes. The Police Division has provided police service for the campus of Auburn University since 2004. The Auburn University Precinct is staffed with 39 officers and managed by an Assistant Police Chief. In 2001, the City and Lee County, Alabama initiated an agreement for the County to provide jail services for the City. The City pays the County a charge per inmate. The City also pays for medical care for prisoners who must be given care outside of the jail.

The Fire Division includes 64 regular, full-time firefighters and an average of 55 student firefighters, operating five fire stations in providing service to residents in the City of Auburn as well as the campus of Auburn University. The City currently has a 2/2X fire insurance rating. This is a good rating and equates to low insurance rates for our citizens.

The Emergency Management and Communications Division provides E-911 emergency response and dispatch services to the public and coordinates preparedness, notifications and response regarding critical incidents. The Division is comprised of 14 full-time and 8 part-time staff members. Ambulance services are provided via a contract with East Alabama Medical Center.

Public Works Services The City's Public Works Department oversees the maintenance of City infrastructure including streets, sidewalks, stormwater and drainage facilities and landscape areas, including medians and traffic islands, and right-of-way vegetation. The City expends approximately \$2.0 million per fiscal year on road maintenance and the City roadway system

currently includes over 670 lane miles of paved streets. Public Works also maintains 16 City-owned facilities, including 5 fire stations.

Engineering Services The Engineering Services department plans, organizes and directs the design and construction of infrastructure and engineering programs, projects and activities. The department provides engineering services and project management for the City's streets, sidewalks, bridges, drainage structures and traffic signals, while also maintaining proper traffic control signage and street name signs. Traffic Engineering maintains 66 signalized intersections which all communicate with the traffic control center, along with approximately 1,000 streetlights, 136 LED edge lit signs, 5,400 street signs and 1,400 street name signs.

Environmental Services Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high priority to its environmental quality of life. Environmental Services collects household waste, recyclables, and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. During fiscal year 2020, approximately 16,515 households were served with 15,989 tons of garbage, 2,821 tons of recycling and 13,399 tons of yard waste collected. 70% of the yard waste collected was recycled.

In an effort to provide residents the opportunity to do a holistic cleanup around their properties each spring, Environmental Services provides an annual trash amnesty period where fees are waived for oversized debris piles. Environmental Services also hosts a bi-annual household hazardous waste collection event and an annual comprehensive neighborhood clean-up event. During fiscal year 2020, the household hazardous waste collection events had over 900 participants that disposed of 30 tons of material.

The goal of the Fleet Services Division is to procure safe, dependable, cost effective equipment, and furnish quality vehicle maintenance services for the City of Auburn. These support services enable us to provide excellent service to the citizens of Auburn. The City's fleet is comprised of 649 units. These units range from small units to large construction equipment. Environmental Services is also responsible for animal control.

Leisure Services In addition to the many diverse cultural opportunities afforded by Auburn University, the City's Parks and Recreation Department and the Auburn Public Library provide many leisure time choices to residents. The Auburn Public Library has 36 internet-connected computer workstations available to the public. During fiscal 2020, there were 22,297 logins on these computers. Additionally, the Auburn Public Library offers wireless internet access for patrons bringing their own laptops, tablets, and other portable devices. During fiscal 2020, library patrons checked out 292,750 books, audiobooks, ebooks, and movies. In addition, 11,188 patrons attended the library's 460 programs offered for children, teens, and adults. Programs offered by the Auburn Public Library included the Third Grade Reading Dragons, classes for new business owners, and one-on-one technology assistance, many sponsored in whole or in part by the Friends of the Auburn Public Library. With the use of federal Library Services and Technology Act grant funds, the Auburn Public Library expanded its collection of materials for emerging readers and hosted multiple field trips to the library for a program with author Carmen Agra Deedy.

The Parks and Recreation Department maintains sixteen City parks, four cemeteries, and numerous recreation facilities. This includes five recreation centers, one pool, four youth baseball complexes, a seven-field soccer complex, a skate park, 2 dog parks, 33 miles of bike paths, a five-field competition class softball complex, an award-winning 34 court tennis center,

a community arts center and more. Parks and Recreation provides programs ranging from organized team sports leagues for football, basketball, soccer, baseball, volleyball, track and softball to music and dancing lessons to summer day camps, pickleball, special needs programming, and swimming teams. The department is increasing emphasis on fitness and seniors programming at Harris Center, Frank Brown Recreation Center and Boykin Community Center.

Education Services Auburn City Schools provide services to more than 8,800 students. It is one of the fastest growing school systems in Alabama, averaging about 200 new students each year. Auburn City Schools consistently experiences record enrollment growth each year as parents are drawn to the excellent teachers, facilities and programming.

Currently, students are housed on thirteen separate campuses. These campuses include nine elementary schools, one 6th grade school, one 7th grade school, one junior high school, and one high school. Excellent choral, drama, art, band, academic teams, sports, and other extracurricular programs are offered. All schools have a media center, art teacher, music teacher, and one or more full-time counselors.

The City school system is accredited by the State Department of Education and the Southern Association of Colleges and Schools. Auburn High School consistently produces an average of five National Merit finalists/semi-finalists each year from the senior class. The graduation rate for Auburn High School was 96% and seniors were awarded more than \$22.9 million in scholarships. Concurrent college enrollment, through Auburn University and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School.

There are numerous colleges and technical schools within a 50-mile radius of Auburn.

Auburn University, Auburn	Columbus State University, Columbus, GA
Tuskegee University, Tuskegee	LaGrange College, LaGrange, GA
Huntingdon College, Montgomery	Southern Union State Community College, Opelika
Faulkner University, Montgomery	Chattahoochee Valley Community College, Phenix City
Auburn University, Montgomery	Central Alabama Community College, Alexander City
Troy University at Montgomery	Alabama State University, Montgomery

Auburn University, located adjacent to downtown Auburn, is a comprehensive research institution blending arts and applied sciences. The student body is taught by approximately 1,426 full-time faculty members, and the student to faculty ratio is 20 to 1. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 15 schools and colleges with over 150 majors at the undergraduate, graduate, and professional levels. Auburn has awarded more than 300,000 academic degrees since it opened in 1856.

As the City's largest employer with over 5,300 employees, Auburn University is a major contributor to the local economy. Enrollment was 30,460 for fall semester of the 2019/2020 academic year.

Southern Union State Community College is located in Auburn's sister city, Opelika, the Lee County seat. Southern Union is located five miles from Auburn and offers courses in business,

accounting, computer science, industrial electricity and electronics technology, automotive mechanics technology, welding, and more.

Utilities The Water Works Board of the City of Auburn, drawing from Lake Ogletree as its main source, with secondary sources from two groundwater wells (Well No. 3 located on Highway 29 South and Well No. 4 located on Sandhill Road) and Opelika Utilities, provides potable water services. The City's Water Resource Management (WRM) Department also provides the wastewater treatment services for the City, with a permitted treatment capacity of 13.45 million gallons per day. The City's stormwater program is managed by WRM, as well. The Watershed Management Division coordinates and implements the Phase II Stormwater Regulations published by the federal government in 1999, while offering educational opportunities about stormwater issues and enforcing the City's erosion and sediment control ordinance.

Healthcare The Auburn area is served by the East Alabama Medical Center (EAMC). Among the many services that EAMC provides are open-heart surgery and cancer treatment, both of which are highly acclaimed specialties at the hospital. EAMC has been recognized three times for having a "Top 100 heart program." EAMC has been named twice as one of *Fortune's* "100 best companies to work for in America". The hospital has over 2,600 employees, making it the second largest employer in Lee County. EAMC facilities in Auburn include Rehab Works and several assisted living communities. The center provides emergency medical transport services to the City of Auburn. In addition, EAMC operates the Auburn University Medical Clinic on the Auburn University campus.

Transportation The Auburn area is highly accessible by various transportation modes. Situated at the intersections of Interstate 85 with US Highways 280 and 29, the cities of Atlanta, Montgomery and Birmingham are all within an easy two-hour drive. Auburn is served by four trucking terminals, all within 25 miles of the City, three overnight delivery services, and two commercial bus lines.

Auburn University operates the Auburn University Regional Airport with the financial support of the three local governments in Lee County. Other conveniently accessible airports include Hartsfield-Jackson Atlanta International Airport (100 miles by Interstate 85), the Columbus, Georgia regional airport (40 miles by US 280), and the Montgomery, Alabama regional airport (60 miles by Interstate 85). CSX Transportation provides local mainline rail service through its Southern Railway and Western Railway of Alabama divisions.

Factors Affecting Financial Conditions

Local Economy

From the founding of Auburn University in 1856, the City's economy has been dominated by the University's presence. The University's students and faculty were attracted to the quality of life in Auburn and wanted to remain in the City on a long-term basis. Consequently, many were overqualified for the available jobs, but chose to accept under-employment in order to remain in Auburn.

In the mid-1980's, the City government began a conscious effort to strengthen the City's economic base through diversification. The City government established an Economic Development Department, whose mission is to recruit small- to medium-sized technology-based companies that offer a high level of employment to citizens, with the corresponding improvements in salaries and benefits.

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having announced the recruitment of more than fifty-five companies, resulting in the creation of over 7,900 jobs in the last 27 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the Auburn Technology Park West Annex was completed in 2020.

Due to COVID-19, the industrial sector showed slowed but positive growth in 2020. SiO2 Medical Products was awarded a \$143 million contract through Operation Warp Speed. The contract allowed for an additional total investment of \$163 million and the creation of 221 jobs in Auburn. Several other existing manufacturers also increased their capital investment in 2020, including Winkelmann Flowform Technology, L.P., ATS Alabama Corporation, Lotte Chemical Alabama Corporation, and Aptar CSP Technologies, Inc. The new industry announcements and expansions that occurred in 2020, including previously mentioned SiO2 Medical Products, will produce a combined total of 263 new jobs for Auburn and a planned capital investment of approximately \$202 million. Auburn continues to maintain a presence in other key sectors such as aerospace, automotive and information technology.

The City's Commercial Development Incentive Program has assisted new and redeveloped commercial enterprises in our area. In 2020, though slowed by the COVID-19 pandemic, this program facilitated the renovation of a beloved commercial building along Opelika Road as it was transformed into a haven for coffee, wine, dessert and book enthusiasts known as Well-Red. This program also helped locate a very unique business in a storefront that had long been vacant, giving the citizens of Auburn the chance to "Eat. Play. Drink." at The Country Club of Auburn.

The City's Community Services Department, a branch of the Development Services Business Unit, provides a variety of opportunities to improve the quality of life for Auburn's citizens. The Community Development Block Grant (CDBG) is administered by the Community Services Department. These federal funds help facilitate programs specifically targeted to housing, public service and special economic development activities which will directly impact citizens identified as low to moderate-income. Affordable housing, emergency housing rehab, housing reconstruction, and utility and mortgage assistance are examples of programs available to qualifying citizens in need. The East Alabama Food Bank, the North Auburn Housing Development Corporation, and Presbyterian Community Ministries are a few agencies that administer CDBG funding and provide supportive services directly to applicants residing within the City limits. Along with the Community Services Department, several other tenants such as Auburn Day Care Center, Auburn Senior Center, Boys and Girls Clubs of Greater Lee County, and Joyland Development Center operate out of the Boykin Community Center to provide services to and help meet the needs of qualifying citizens.

During the Covid-19 pandemic, the City of Auburn received special CDBG-CV funds to aid in the fight to prevent and respond to the growing concerns of the pandemic in the low- to moderate- income community. Additional funds were allocated to entitlement cities above and beyond the normal formula grant allocations. These funds were utilized to provide targeted assistance to those who were unemployed or underemployed due to circumstances following the Covid-19 pandemic. Rental, utility, mortgage, and homelessness assistance was at a program high during this time, and the Community Services Department responded swiftly to the needs of the community.

In an effort to leverage funds to finance economic development activities to create and retain jobs, the City of Auburn was approved for a Section 108 Loan sponsored by the U.S. Department of Housing and Urban Development (HUD). The City loaned \$1.5 million to the Auburn Housing Authority to redevelop the Moton public housing complex. Section 108 funds are also used to fund business loans to provide financing for commercial and industrial loans for undertaking special economic development activities and to offer short-term loans for active small businesses and small business start-ups. Currently, there are two (2) active loans issued to entities operating within the City of Auburn committed to job creation for low to moderate-income workers.



Boykin Community Center

In fiscal 2020, building permits were issued for 456 new single-family detached residences valued at \$136.7 million and 152 new single-family attached residences valued at \$26.8 million. The average valuation for single-family detached homes was \$299,864 and \$176,050 for single-family attached homes. Also, 45 new commercial and industrial facilities valued at \$77.0 million were permitted during fiscal 2020.

CompPlan 2030

CompPlan 2030 is the City of Auburn’s plan for future growth and development. The plan looks forward 20 years and provides recommendations for the future based on public input, analysis of existing future conditions, and the best practices of planning. CompPlan 2030 focuses on how the City uses the land, now and in the future; how land use and the built environment affect the natural world, and vice-versa; schools, parks and other facilities that form the civic foundation of the City; and the many forms of transportation that link everything together. The plan represents an achievable, comprehensive vision for Auburn’s future growth and development that reflects input from a broad array of plan stakeholders.

Risk Management

The City of Auburn’s risk management program includes identification and analysis of loss exposures and the selection of appropriate risk management techniques for specific loss exposures. The City uses a combination of risk reduction and risk financing techniques. The risk reduction techniques include loss prevention and loss reduction through periodic inspections and training. While insurance or self-insurance is used for risk financing, some loss exposures are retained by the City and paid for out of the operating budget.

Long-term Financial Planning

The City's capital improvements plan identifies potential capital projects for fiscal years 2021 through 2026. Project areas include sidewalk and neighborhood projects, downtown improvements, technology investments, public safety projects and major equipment, parks and cultural projects, and City facility improvements. Various funding options, including debt and grants, will be identified at the appropriate time. Several of the most significant projects planned are listed below.

- Construction of a new fire station
- Construction of the Wright Street parking deck
- Boykin Recreation Center improvements
- South College Street and Samford Avenue intersection improvements
- Environmental Services/Public Works relocation
- Various projects identified through the Parks, Recreation and Cultural master plan

Financial Information

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate data are compiled to allow for the presentation of financial statements in conformance with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) that valuation of costs and benefits requires estimates and judgments by management.

Single Audit As a recipient of federal and state financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's audit in accordance with generally accepted government auditing standards, tests are made to determine the adequacy of the internal control structure, including that portion related to federal assistance programs, as well as to determine that the government has complied with applicable laws and regulations.

Budgeting Although, accountability for budgetary compliance is held at the department level, budgetary tracking is maintained at the line item level by the encumbrance of actual or estimated purchase amounts prior to the release of purchase orders to vendors. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The City Manager has the authority to make adjustments between budget line items.

The City has been using biennial budgeting since fiscal 2001. The objectives of a biennial budget process are two-fold: to give the Council and City management a longer time horizon for budgeting and to reduce the amount of staff time required for developing and adjusting the budget. Under the annual budgeting process, Auburn conducted a mid-year budget review process each April that was nearly as rigorous as the budget development each summer. With a biennial budget, the mid-year review is streamlined and there is an in-depth Mid-Biennium

Review. Also, a comprehensive revenue review is completed periodically to evaluate the City's revenue structure.

Ordinances and resolutions enacted during the year by the governing body are incorporated into the budget through amendments at mid-biennium and, if necessary, at fiscal year-end. Activities of the General Fund, the debt service fund, and most special revenue funds are included in the budget. Encumbrances for outstanding purchase orders lapse at year-end; however, departments may request, with City Manager approval, a carryover of encumbrances should a positive budget balance remain. All encumbrances associated with contracts are signed commitments of the government and will be re-appropriated at the beginning of the new fiscal year.

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the financial section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated in a single line captioned "capital outlay." Debt service expenditures are presented in a single line caption in the GAAP financial statements, as well.

Cash Management and Investments It is the policy of the City to invest public funds not required for immediate operations in a manner that will provide the highest investment return. The priorities for City investments shall be legal compliance, liquidity, and safety of the investment. All financial institutions holding City deposits are Qualified Public Depositories (QPD) authorized by the Security for Alabama Funds Enhancement (SAFE) program. The SAFE program provides a collateral pool administered by the Alabama State Treasurer.

During fiscal year 2020, idle cash was invested in U.S. treasury notes with 12 month - 24 month terms and rates ranging from 1.382% to 2.454%. The City's idle cash was also invested in various money market accounts with rates ranging from .25% to 1.40% and one certificate of deposit with a 12-month term and a rate of 1.75%. The City's demand deposit operating account earned .40% to 75% during the fiscal year.

During fiscal year 2020, the City invested the debt proceeds from three capital projects issued in three separate construction cash money market accounts with rates ranging from 0.00% to 1.795%.

General Fund Reserves The City Council has adopted a policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses. Management has an informal goal of 20-25%. The ending fund balance as a percentage of expenditures and other financing uses for the fiscal 2020 period was 69.3%, exceeding management's informal goal.

Other Information

Independent Audit The government is required by State law to undergo an annual audit by independent public accountants. To meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*) and the Uniform Guidance effective December 26, 2014, the City's audit report must be signed by a certified public accountant. The accounting firm of Machen McChesney completed the City's fiscal year 2020 audit. The

auditor's report on the basic financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report.

Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore have not been included in this report. This information is contained in a separate Single Audit report, which is available for review at the Office of the City Manager in City Hall at 144 Tichenor Avenue, Auburn, Alabama.

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its annual report for the fiscal year ended September 30, 2019. This was the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current annual report continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

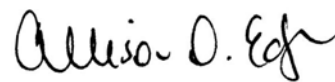
In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2020. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

Acknowledgments The preparation of the comprehensive annual financial report could not be accomplished without the dedicated services of an efficient Finance Department staff, including adjunct members in other City departments. We express appreciation to each member of the Department and to those members of other City departments for their contributions made in the preparation of this report.

In closing, the commitment to the achievement of mandated priorities speaks to the progressive leadership and dedication to public service of the Mayor and the City Council. Their support for a policy of financial integrity has been instrumental in the preparation of this report.



Megan McGowen Crouch
City Manager



Allison D. Edge, CPA, CGMA
Finance Director/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Auburn
Alabama**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO

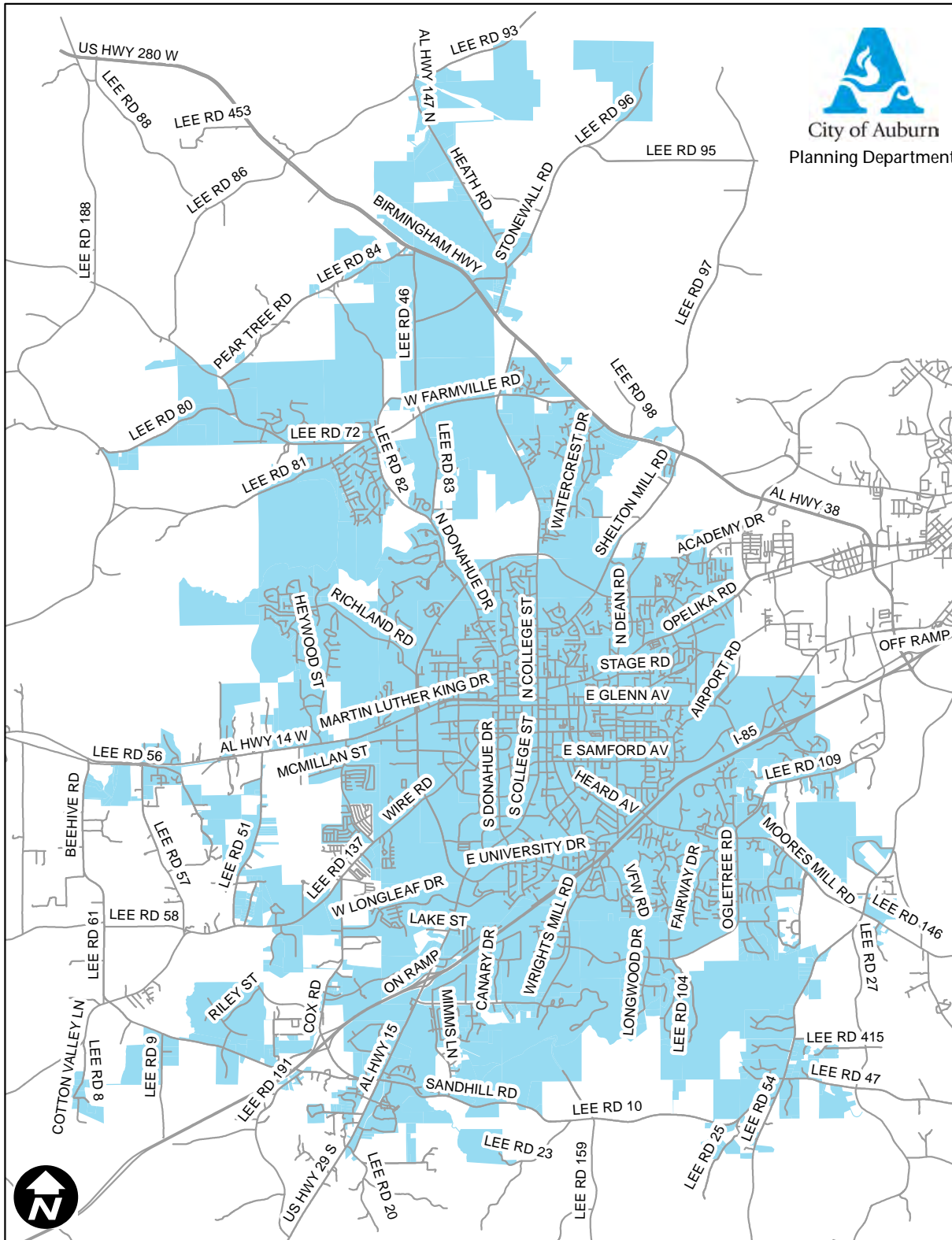
The Government Finance Officers Association (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting Program in 1945, since that time the City of Auburn has received this award thirty-three times.

GFOA awarded the Certificate of Achievement to the City of Auburn for the Comprehensive Annual Financial Report for the fiscal year ending September 30, 2019. The goal of the award program is not to focus on the financial status of participating governments; but, rather that the entities ensure their annual financial reports are gathered in the spirit of transparency and full disclosure to citizens and those that rely on these reports.

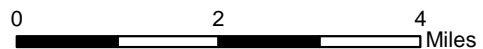
This award is only valid for the fiscal year following the submission. The City of Auburn produces annual financial reports that we believe conforms to the requirements set by GFOA; we will be submitting this document to GFOA for consideration of another award.

MAP OF THE CITY OF AUBURN

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

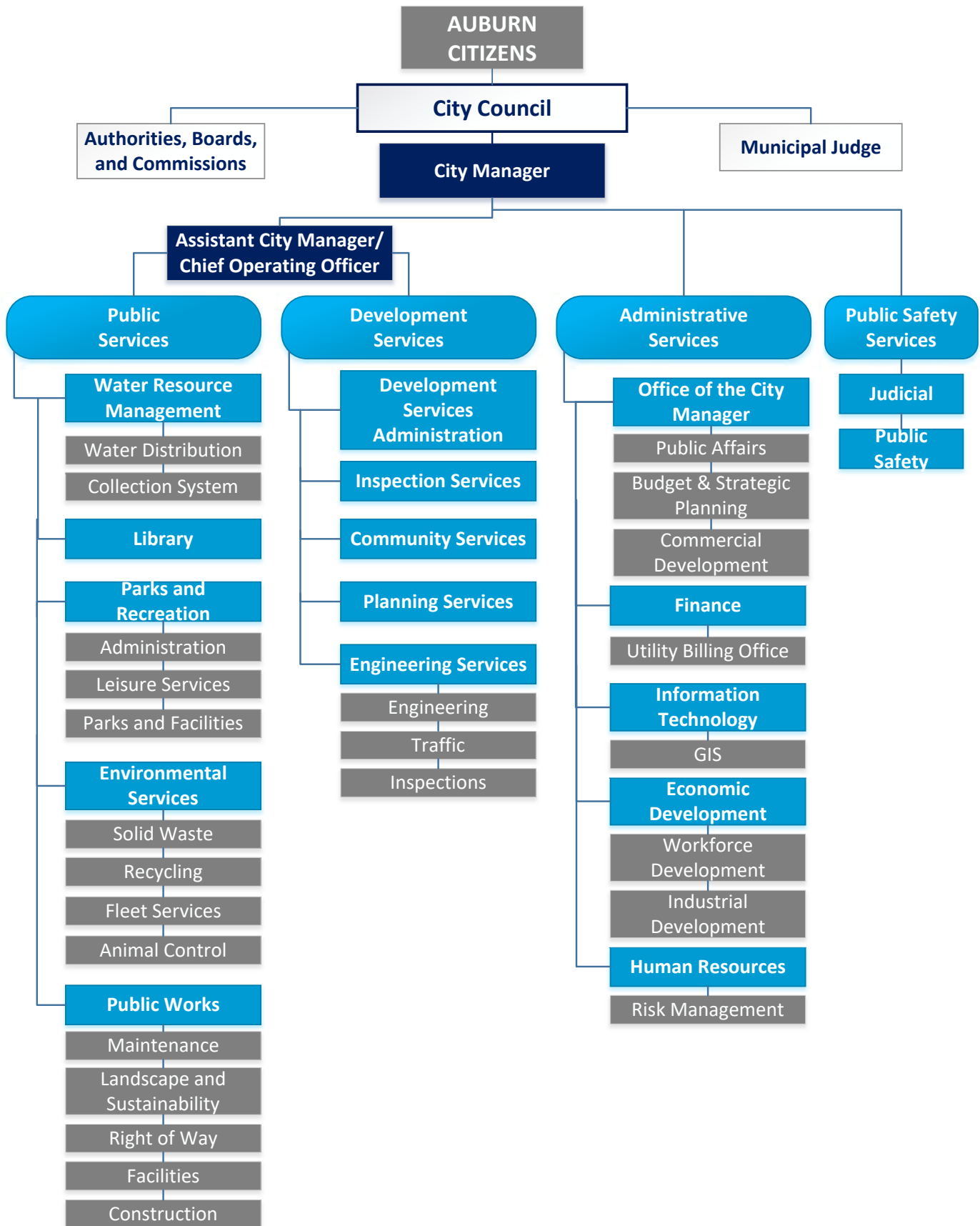


The City of Auburn, Alabama does not guarantee or warrant the accuracy of this map or any information contained herein. Information may contain errors and should be verified by an appropriately qualified, licensed and independent professional.



ORGANIZATION CHART

FOR THE CITY OF AUBURN



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INDEPENDENT AUDITOR'S REPORT

The Honorable Ron Anders, Jr., Mayor
Members of the City Council and City Manager
City of Auburn, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Auburn, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special School Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2020, the City adopted new accounting guidance, GASB Statements No. 84, *Fiduciary Activities* and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 29 through 60), pension information (pages 160 through 161), and OPEB information (page 162) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, the capital asset schedules, and the statistical section, 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, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules, are the responsibility of management and were derived from and relate 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 accounting and other records used to prepare the basic financial statements or to the basic 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, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, on our consideration of the City of Auburn, Alabama'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 the effectiveness of the City of Auburn, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Alabama's internal control over financial reporting and compliance.

Machen McChesney, LLP

Auburn, Alabama
March 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Auburn's Comprehensive Annual Financial Report presents City management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year that ended on September 30, 2020. Please read this in conjunction with the City's financial statements and the accompanying notes, which follow this section, and the additional information furnished in the letter of transmittal in the introductory section of the Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Auburn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$168.7 million (net position). Of this amount, the City had a deficit unrestricted net position of \$164.1 million offset by \$61.4 million in restricted net position and \$271.4 million in net investment in capital assets.
- The primary government experienced a 6.6% increase in net position from \$158.3 million at September 30, 2019 to \$168.7 million at September 30, 2020.
- At the close of fiscal 2020, the City's governmental funds reported a *combined* fund balance of \$128.2 million. This was an increase of \$29.8 million (30.3%) from the prior year.
- At the end of fiscal 2020, total fund balance for the General Fund was \$65.9 million or 69.3% of total General Fund expenditures and other financing uses; total fund balance increased by \$9.5 million (16.9%) from fiscal year 2019. Total ending fund balance in the General Fund comprised 63.7% of total revenues in 2020 and 55.7% in 2019.
- Unassigned fund balance for the General Fund was \$29.7 million, or 31.3% of total General Fund expenditures and other financing uses; this was a decrease of \$2.6 million (8.1%) from fiscal 2019.
- Sales and use tax, the City's single largest revenue source, increased by \$34,461 (0.1%) during the 2020 fiscal year.
- Significant changes in revenue in the City's General Fund during 2020 include the following: state shared taxes increased \$1.1 million (44.4%); general property tax increased \$714,534 (11.5%); miscellaneous income increased \$207,459 (686.4%); lodging taxes decreased \$681,222 (26.4%); and fines and forfeitures decreased \$225,333 (20.9%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and the narrative notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the City's finances.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are fund financial statements that focus on individual elements of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety and public works were financed in the short term, as well as what remains for future spending.
 - Proprietary funds statements offer short and long-term financial information about the activities the government operates like businesses, such as the sewer and solid waste systems.
 - Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others, like athletic organizations' resources held for spending on specific sports' activities.

The financial statements also include narrative notes that explain some of the information in the financial statements and provide more details. Figure A shows how the required parts of this annual report are arranged and relate to one another.

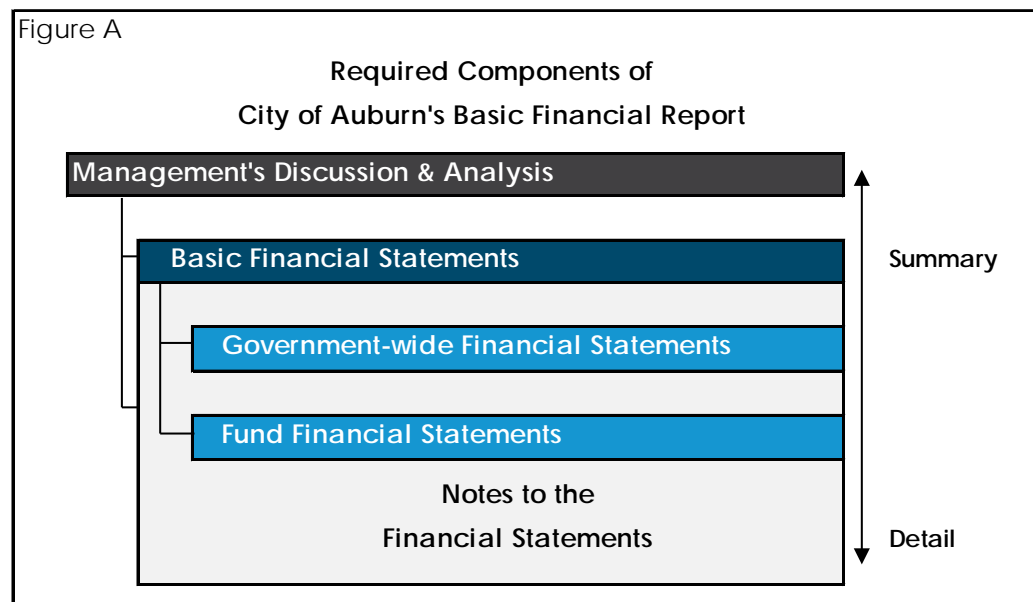


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

Government-wide Statements

The *government-wide financial statements* report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

- The *statement of net position* includes all of the government's assets and liabilities, with the difference between the two reported as net position.
- All of the fiscal year's revenues and expenses are accounted for in the *statement of activities*, presenting the change in net position for the most recently completed fiscal year. All changes in net position (revenues and expenses) are reported as

soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

To assess the overall economic health of the City, additional non-financial factors, such as changes in the City's tax base, planning and zoning actions, and the condition of the City's roads, other infrastructure and public school system, should also be considered.

Figure B Major Elements of Auburn's Government-wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Sewer Fund and Solid Waste Management Fund	Instances in which the City is the trustee or agent for someone else's resources: Youth Athletic Funds
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, exp, and changes in net position Statement of Cash Flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis & measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets, deferred inflows, liabilities, and deferred outflows, both financial and capital, short-term and long-term	Only assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year and expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid	All revenues and expenses during the year regardless of when it is received or paid

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities.* Most of the City's basic services are included in this category, such as the services provided by the Public Safety, Public Works, Parks and Recreation, Human Resources, and Finance departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities.* The City charges fees to customers to help cover the costs of certain services it provides to the public. The City's Sewer Fund and Solid Waste Management Fund are included in this category as enterprise funds.
- *Discretely Presented Component Units.* The City includes six other entities in this report. These entities include the City of Auburn Board of Education (Auburn City Schools), Water Works Board of the City of Auburn, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, the Commercial Development Authority of the City of Auburn, and the Auburn Downtown Redevelopment Authority. Please refer to Note 1.A. within the Notes to the Financial Statements regarding the availability of separately issued component unit financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds. Funds are groupings of related accounts that the City uses to keep track of specific revenues and spending for particular activities or objectives.

- State law requires gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- The City Council establishes other funds to control the use of monies for particular purposes, such as property taxes that are legally dedicated for repayment of long-term debt for voted projects or for support of the City school system.
- The City also establishes funds to demonstrate compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and the spending of grant revenues.

The City has three kinds of funds:

- *Governmental funds.* Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out, and (2) the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental funds' statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs following the completion of a fiscal year.

Because governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Doing so provides a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental funds statements and government-wide statements on governmental activities.

- *Proprietary funds.* Services provided to the public for which customers pay a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. Proprietary funds function like a business activity; therefore, the financial statements provide additional information, such as depreciation expense and cash flows, which are not presented for governmental funds.
- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City of Auburn's own programs. These private-purpose trust funds account for the revenues and expenditures of independent associations supporting youth athletic programs.

The City adopts a biennial budget for its General Fund and most other governmental funds. For legal compliance, comparison, and reporting purposes, this budget is divided

into two separate fiscal years. A budgetary comparison statement for the General Fund has been provided immediately following the fund financial statements.

Notes to the financial statements The notes are an integral and essential part of the basic financial statements. They provide additional information that is important if the reader is to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Net position

The City's *combined* net position at September 30, 2020 totaled \$168.7 million (see Table 1). Governmental Activities' net position increased by \$4.5 million (4.6%), while Business-type Activities' net position increased \$5.9 million (9.9%) during the year.

The primary government's total net position increase of \$10.4 million (6.6%) in fiscal 2020 includes the following major changes: 1) an increase in the deficit in unrestricted net position of \$26.4 million, 2) an increase in restricted net position of \$17.7 million, and 3) an increase in net investment in capital assets of \$19.1 million.

Table 1

**City of Auburn's Net Position
September 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 143,192,694	\$ 115,691,203	\$ 18,188,329	\$ 15,936,699	\$ 161,381,023	\$ 131,627,902
Capital assets	263,286,455	238,612,197	81,562,296	80,820,082	344,848,751	319,432,279
Total assets	406,479,149	354,303,400	99,750,625	96,756,781	506,229,774	451,060,181
Deferred outflows of resources	11,972,174	10,120,802	3,048,285	2,915,524	15,020,459	13,036,326
Current liabilities	27,453,739	26,629,413	4,942,969	4,876,569	32,396,708	31,505,982
Long-Term debt and other liabilities	287,370,556	236,296,231	32,427,262	35,059,258	319,797,818	271,355,489
Total liabilities	314,824,295	262,925,644	37,370,231	39,935,827	352,194,526	302,861,471
Deferred inflows of resources	271,512	2,688,222	91,702	272,331	363,214	2,960,553
Net position:						
Net investment in capital assets	219,751,610	204,319,205	51,637,747	47,934,317	271,389,357	252,253,522
Restricted	57,672,793	40,216,858	3,711,650	3,501,441	61,384,443	43,718,299
Unrestricted	(174,068,887)	(145,725,727)	9,987,580	8,028,390	(164,081,307)	(137,697,337)
Total net position	\$ 103,355,516	\$ 98,810,336	\$ 65,336,977	\$ 59,464,148	\$ 168,692,493	\$ 158,274,484

Net investment in capital assets (buildings, equipment, roads, etc.) is the primary component of Governmental Activities' net position. The net investment in capital assets for governmental activities at September 30, 2020 was \$219.8 million. Debt outstanding related to the capital assets was \$52.2 million. The large negative unrestricted net position in FY 2019 (\$145.7 million) and FY 2020 (\$174.1 million) is primarily the result of a common financing circumstance in Alabama. The City of Auburn issues debt (repaid with legally dedicated ad valorem taxes) in the City's name for the benefit of Auburn City Schools (ACS), a discretely presented component unit of the City. Therefore, the City must report the debt in its financial statements. However, the City typically does not have a legal right (title) to the assets associated with the debt (which are owned by ACS); hence, the large negative unrestricted net position balances. Total debt outstanding for school issues was \$183.4 million as of September 30, 2020. In fiscal 2020, the City issued \$14.6 million in general obligation warrants to refund the 2010 general obligation warrants. The City also issued \$37.1 million in general obligation bonds to be used by ACS

for improvements to existing facilities, including Cary Woods Elementary School and J. F. Drake Middle School. In addition, the City holds the debt proceeds and transfers the proceeds to the School Board as needed to pay for construction. Any unused proceeds are classified as restricted net position, further increasing the deficit in unrestricted net position.

Similar to the school funding situation, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex. The City leases a portion of the complex to Auburn University. These lease payments fund principal and interest on the City's debt. The City's Public Park and Recreation Board, a component unit of the City, owns and operates the joint tennis facility. With respect to the Tennis Center, the debt principal of \$1.4 million outstanding is included in the City's liabilities and the offsetting capital asset is included on the balance sheet of the Public Park and Recreation Board, increasing the deficit in the City's unrestricted net position.

Also contributing to the large unrestricted net position balance are liabilities related to pensions and other post-employment benefits (OPEB). The City implemented GASB Statement 68 – Accounting and Financial Reporting for Pensions in fiscal 2015. The City and its employees contribute to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participants. The net pension liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position as of September 30, 2020 was \$37.3 million. In fiscal 2018, the City implemented GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement requires the recognition of a liability for obligations incurred under postemployment benefit plans. The City's OPEB plan provides medical benefits to employees upon retirement based on certain eligibility requirements. The retirees pay 100% of the premium costs and specific deductibles. The City pays for all costs in excess of premiums and deductibles. The net OPEB liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position was \$5.5 million as of September 30, 2020.

Table 2 displays detail of debt issued by the City to acquire or construct capital assets owned by other entities, affecting the City's unrestricted net position. Total City debt for the benefit of Auburn City Schools outstanding at September 30, 2020, was \$183.4 million, an increase of \$32.2 million (21.3%) from the prior year. As previously mentioned, the increase is the result of a new debt issuance of \$37.1 million for improvements to school facilities. Debt outstanding in respect to agreements made with Auburn University was \$1.4 million, a decrease from the prior year of \$207,786 (12.6%). This decrease is attributable to the City's principal repayments.

Governmental Activities' unrestricted net position (excluding the effects of others' debt) increased by \$3.7 million (51.6%) to \$10.8 million at the end of fiscal 2020. This is primarily the result of the excess of general revenues over governmental activities' net expenses.

The City's governmental activities had an overall positive net position of \$103.4 million at the end of the 2020 fiscal year, an increase of \$4.5 million (4.6%).

Table 2

Governmental Activities

Net Position	2020	2019
	\$	\$
Net investment in capital assets	219,751,610	204,319,205
Restricted		
Capital Projects	2,935,491	4,307,249
Debt Service	9,348,584	7,838,599
Federal and State Grants	3,994,336	3,867,561
Investments	1,765,891	1,980,280
Special Revenue, non-grant	39,628,491	22,223,169
Unrestricted (deficit)		
Governmental Activities	10,782,853	7,115,040
City School Debt	(183,404,629)	(151,185,870)
Auburn University Debt	(1,447,111)	(1,654,897)
Total Net Position-		
Governmental	<u>103,355,516</u>	<u>98,810,336</u>

Net position of the City's business-type activities increased by \$5.9 million (9.9%) to \$65.3 million in fiscal year 2020, from \$59.5 million in fiscal year 2019. This increase is partially due to a positive change in net position from both operating and nonoperating activities of the business-type functions of \$1.5 million. Activity related to capital assets also contributed to the net increase. Capital assets increased by \$742,214. This change consisted of asset acquisitions totaling \$4.3 million, which was offset by asset disposals of \$406,732 and an increase in accumulated depreciation (a contra asset) of \$3.2 million. Asset acquisitions included heavy equipment, vehicles, sewer lines, and improvements to the H.C. Morgan Water Pollution Control Facility. Other activity contributing to the increase in net position was a decrease in warrants payable of \$2.9 million (9.1%) in the sewer business-type activity. This is the result of scheduled payments of principal on long-term debt.

The primary government's net position increased by \$10.4 million (6.6%) in fiscal year 2020. Total assets increased by \$55.2 million (12.2%), while deferred outflows of resources increased by \$2.0 million (15.2%). The net increase in assets is attributable to three main factors:

- Cash and cash equivalents increased \$22.7 million (31.5%). During fiscal 2020, the General Fund was reimbursed \$7.2 million by debt proceeds for construction costs incurred under reimbursement resolutions for a new municipal parking deck and Auburn City Schools renovation projects. Also, approximately \$4.0 million in U. S. Treasury securities were moved to a money market account at maturity due to the low interest rate environment. A comparable interest rate was earned on the more liquid money market account as was offered on the maturing U. S. Treasury securities.
- Restricted cash increased by \$21.2 million (332.5%). During fiscal 2020, the City issued \$16.0 million in general obligation warrants for construction of a new municipal parking deck and \$37.1 million in general obligation bonds for Auburn City Schools renovation projects. The increase represents the balance of debt proceeds in the construction cash accounts, which are drawn down as project expenditures are incurred.
- Capital assets, both depreciated and not being depreciated, increased by \$25.4 million (8.0%) in fiscal year 2020. The largest component of this change is an increase of \$24.2 million (11.7%) in governmental activities' infrastructure. Several

large multi-year projects were capitalized in fiscal 2020, including the widening of Richland Road, Moores Mill Road bridge improvements and road widening, and Gay Street improvements. Also, roads contributed by developers in fiscal 2020 totaled \$4.8 million, which is a decrease of \$58,981 (1.2%) from fiscal 2019. When new subdivisions are developed, the developer is responsible for construction of necessary roads. The roads are then contributed to the City upon completion. Although roads contributed decreased slightly in fiscal 2020, the total value is indicative of the continued growth in the City. More information on the change in capital assets is included in the *Capital Assets* section.

The net increase in deferred outflows of resources is the result of two major changes. First, deferred amount on refunding decreased by \$1.1 million (22.7%). Pursuant to GASB Statement 23 – *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* and GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, when the reacquisition price required to refund outstanding bonds or warrants is greater than the net carrying amount of the outstanding debt, the difference is recorded as a deferred outflow of resources in the period in which the refunding takes place. This difference is then recognized in subsequent periods through amortization as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. For fiscal 2020, these amortizations resulted in a decrease in deferred amount on refunding for governmental activities and business-type activities in the amounts of \$963,929 and \$159,418, respectively. Also, deferred outflows related to the City's pension liability increased by \$1.2 million (15.6%). This change is made up of fluctuations in three areas: differences between expected and actual experience, changes in actuarial assumptions, and the change in employer contributions subsequent to the measurement date. Deferred outflows related to the City's other post-employment benefits (OPEB) increased \$1.9 million (760.9%). This increase is due to changes in actuarial assumptions, and differences between projected and actual experience.

Total liabilities increased by \$49.3 million (16.3%), while deferred inflows of resources decreased by \$2.6 million (87.7%). The increase in total liabilities is a result of several major changes. Long-term debt increased by \$41.0 million (17.6%) due to the issuance of \$16.0 million in general obligation warrants for construction of a new municipal parking deck and \$37.1 million in general obligation bonds for Auburn City Schools renovation projects. Also, \$14.6 million in general obligation warrants were issued to refund the 2010 general obligation warrants. This is offset by principal repayments for both governmental and business-type activities of \$12.9 million. Net pension liability increased \$5.1 million (14.5%) based on actuary plan information provided by the Retirement Systems of Alabama. Net OPEB liability increased \$2.4 million (64.0%) due to a change in health care trend rates and the discount rate utilized by the actuary to calculate the liability. Offsetting these increases is a decrease in accounts payable and other accrued liabilities of \$2.7 million (28.6%). Accounts payable included several large invoices at year-end in fiscal 2019.

The net decrease in deferred inflows of resources is the result of decreases in both pension and OPEB related inflows. Pension related deferred inflows decreased by \$2.5 million (97.5%) which is related to the difference between projected and actual earnings on plan investments. OPEB related deferred inflows of resources decreased by \$62,964 (17.4%) related to differences between expected and actual experience and changes in assumptions.

Governmental Activities

Table 3 presents the cost of each of the City's functions and/or programs, as well as each program's net expenses (total expenses less fees generated by the program's activities and intergovernmental support).

Table 3

Excerpt of Governmental Activities
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2020 and 2019

Governmental Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2020	2019	2020	2019	2020	2019
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
General government	11,211,997	9,111,307	22,100,051	19,920,604	10,888,054	10,809,297
Public works	9,603,058	8,107,414	7,857,901	7,583,289	(1,745,157)	(524,125)
Environmental services	1,793,232	1,580,881	-	-	(1,793,232)	(1,580,881)
Public safety	25,068,120	24,731,609	6,711,810	6,646,241	(18,356,310)	(18,085,368)
Library	2,574,545	2,451,281	35,059	40,779	(2,539,486)	(2,410,502)
Parks and recreation	6,872,513	7,251,125	812,553	1,144,935	(6,059,960)	(6,106,190)
Development services	5,723,548	5,520,532	360,492	456,500	(5,363,056)	(5,064,032)
Social and economic development	6,781,786	6,731,103	659,821	370,445	(6,121,965)	(6,360,658)
Other functions	6,737,141	8,516,300	4,674,372	4,427,491	(2,062,769)	(4,088,809)
Education (payments to Board of Ed)	48,988,527	22,584,281	-	-	(48,988,527)	(22,584,281)
Interest on long-term debt	8,484,353	7,815,868	-	-	(8,484,353)	(7,815,868)
Total governmental activities	133,838,820	104,401,701	43,212,059	40,590,284	(90,626,761)	(63,811,417)

*Program revenue for governmental activities are analyzed in detail in the following section.

The cost of governmental activities this year was \$133.8 million. Program revenues provided \$43.2 million to finance the cost of the City's governmental activities. The amount that Auburn taxpayers paid to provide for governmental activities' expenses through general revenues (taxes, license fees, interest earnings, etc.) was \$90.6 million. This net expense is a \$26.8 million (42.0%) increase from fiscal 2019.

There are three items of note in the change in net expense of governmental activities. Payments for education increased by \$26.4 million (116.9%) from fiscal 2019. The City issued \$37.1 million in general obligation bonds on behalf of Auburn City Schools for improvements to Cary Woods Elementary School and J. F. Drake Middle School. The City holds the funds for this issue, and as construction progresses, funds are transferred to the school board for construction payments. The total amount transferred for these projects in fiscal 2020 was \$28.9 million. During fiscal 2019, \$2.6 million in remaining proceeds from a debt issue in fiscal 2017 were transferred for school construction projects.

Another significant change in net expense occurred in the public works function. This change resulted from an increase in expenses of \$1.5 million (18.4%) during fiscal 2020. The major component of this increase in expenses is a \$1.0 million pass-through grant from the Alabama Department of Transportation that was paid to Auburn University for roadway improvements to Camp Auburn Road. Another contributing factor to the increase is more tree assessments were performed in fiscal 2020 than in fiscal 2019, which resulted in increased tree removal costs. Increased right of way maintenance during fiscal 2020 resulted in increased debris removal costs and employee overtime. Also, three additional full-time positions were authorized during fiscal 2020.

In addition to these two changes, net expense for other functions, which is comprised of the human resources and risk management functions, decreased \$2.0 million (49.6%). Risk management expenses decreased significantly because in fiscal 2019 the City

experienced two catastrophic events involving police officers which resulted in large workers' compensation expenses for that year.

Total City program income exceeded expenses for only one function in fiscal 2020; general government produced an excess of \$10.9 million, an increase of \$78,757 (0.7%) over fiscal 2019. Factors contributing to this change include an increase in expenses of \$2.1 million (23.1%) and an increase in program revenue of \$2.2 million (10.9%). The largest change in expenses for this function is an increase in pension expense of \$1.3 million (2978.1%). The change in program revenue is attributed to several increases and decreases in various charges for services and operating grants and contributions, which are listed below.

Residential rental decreased \$428,003 (15.1%). Residential rental is a license fee levied against any owner of residential property, which is used primarily for rental or leasing and is not owner-occupied. This fee is fixed at 1.5% of gross receipts with a minimum fee of \$100. Residential rental has traditionally been collected annually at the same time as general business licenses. In April 2019, the City moved to quarterly collections for large apartment complexes. The normal annual collection for gross receipts occurred in February 2019, soon followed by the first quarterly collection in June 2019, resulting in higher revenue for fiscal 2019. COVID-19 also contributed to this reduction. Several large apartment complexes reported slightly lower revenues for April through September due to COVID-19 eviction restrictions in place and a reduced student presence on campus.

Construction permits and construction percent are both related to building activities within the City. Construction permits increased by \$423,427 (26.6%) in fiscal 2020 over 2019. These fees are collected from contractors and property owners at rates that vary based on the type of building. Construction percent is a license fee paid by general or sub-contractors in addition to a flat business license fee. This fee is equal to $\frac{1}{4}$ of 1% of the total contract price or the total cost to the licensee, whichever is greater, of each project undertaken by the licensee. Construction percent increased by \$389,396 (24.4%) in fiscal 2020. Auburn continues to see a great deal of construction across the city. Valuation of multi-family buildings was up \$85.7 million and single-family housing was up \$51.5 million as of September 30, 2020 as compared to the same time last year.

Another item of note is in the operating grants and contributions component of program revenue. The simplified sellers use tax is a state shared tax collected from eligible sellers who participate in the Simplified Sellers Use Program administered by the Alabama Department of Revenue (ADOR). This program allows eligible sellers to collect, report and remit use tax in lieu of the sales or use taxes otherwise due by or on behalf of customers in Alabama who make purchases online and have them delivered into cities and counties in Alabama. This tax is collected by ADOR and distributed to each county and municipality based on population. This tax began in fiscal 2018 and continues to grow as more sellers participate, increasing by \$1.1 million (108.3%) in fiscal 2020 over collections in fiscal 2019. The COVID-19 pandemic also contributed to this increase, as more citizens turned to online shopping due to shelter in place restrictions.

The *Net (Expense) Revenue* amounts in table 4 show the financial burden placed on the City's general revenues by each of these functions.

Table 4

Excerpt of Governmental Activities
from the
Statement of Activities

Governmental Activities	<i>Net (Expense) Revenue</i>	
	2020	2019
	\$	\$
Net expense of the total governmental activities	<u>(90,626,761)</u>	<u>(63,811,417)</u>
General revenues:		
Sales taxes	43,838,542	43,804,081
Property taxes	32,475,761	29,527,483
Occupational license fees	13,829,887	13,286,009
Rental and leasing taxes	985,837	856,729
Lodging taxes	1,900,502	2,581,724
Motor fuel taxes	384,207	430,658
Other taxes	295,093	275,007
Interest and investment earnings	1,345,326	1,967,021
Gain on disposal of assets	41,621	-
Miscellaneous	237,085	28,750
<i>Total general revenues</i>	<u>95,333,861</u>	<u>92,757,462</u>
<i>Excess before transfers</i>	4,707,100	28,946,045
Transfers	<u>(161,923)</u>	<u>(458,983)</u>
<i>Change in net position</i>	<u>4,545,177</u>	<u>28,487,062</u>
Beginning net position	98,810,343	70,334,626
Prior period adjustment	-	<u>(11,348)</u>
Ending net position	<u>103,355,516</u>	<u>98,810,343</u>

Table 5 divides total governmental program revenue by source for 2020 and 2019 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative following the table provide insight into the changes in program revenue.

Program revenue by source:	Governmental Activities	
	<u>2020</u>	<u>2019</u>
	\$	\$
Charges for services	29,682,317	29,285,741
Operating grants and contributions	6,921,753	3,702,644
Capital grants and contributions	<u>6,607,989</u>	<u>7,601,899</u>
<i>Program Rev - Governmental Activities</i>	<u>43,212,059</u>	<u>40,590,284</u>

Some of the program costs of governmental activities in 2020 were paid by revenues collected from those who directly benefit from the programs (\$29.7 million). These revenue sources include the following:

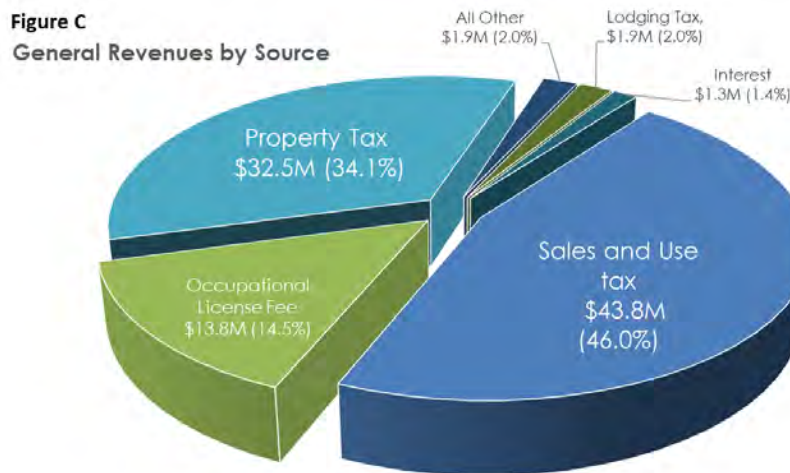
- General business license fees of \$7.8 million that support general government services.
- Residential rental license fees of \$2.4 million that fund a portion of general government services. The City charges this fee to owners of residential property used primarily for rental purposes.
- Court fines and tickets of \$616,255 that support essential public safety and judicial services within the City.

- Construction permit fees of \$2.0 million that fund construction and building inspections in an effort to meet Auburn’s building requirement standards as well as other general government services.
- Public safety fees of \$4.7 million paid by Auburn University to fund fire and police services on campus.

Operating and capital grants and contributions of \$13.5 million also supported program costs during fiscal 2020. These revenues were up by \$2.2 million (19.7%) from fiscal year 2019. Details of this change are described below.

- As described on the previous page, the simplified sellers use tax is a state shared tax collected from eligible sellers who participate in the Simplified Sellers Use Program administered by the Alabama Department of Revenue (ADOR). All state shared taxes are included in operating grants and contributions in the government-wide financial statements. This tax began in fiscal 2018 and continues to grow as more sellers participate, increasing by \$1.1 million (108.3%) in fiscal 2020 over collections in fiscal 2019.
- Grant funding is included in program revenue, classified as either operating or capital. During fiscal 2020, the City received \$759,499 in CARES Act funding for COVID-19 related expenses including personal protective equipment, cleaning and sanitation at City facilities, telework expenses for employees to work remotely, payroll, and medical expenses. As mentioned in the *Governmental Activities* section, the City also received \$1.0 million in a pass-through grant from the Alabama Department of Transportation for Auburn University’s roadway improvements to Camp Auburn Road.

The City financed net expenses of \$90.6 million for governmental activities from taxes, license fees and other general revenues, such as interest earnings. Figure C shows the various sources of general revenues for fiscal year 2020:



General revenues include all revenue sources not reported as program revenues. All taxes, even those levied for a specific purpose, are general revenues. All other non-tax revenues (including license fees, interest, gains and losses, and contributions) that do not meet the criteria for program revenues are also general revenues.

- The largest of the City’s general revenues is sales and use tax, comprising 46.0% of total general revenues. The sales tax rate for purchases made in the City of Auburn is 9%, which includes 4% for the State, 4% for the City, and 1% for Lee County.

- The second largest source of general revenues is property taxes (34.1%). Of the total 26 mills the City receives in property taxes, 16 mills are legally dedicated to the Auburn City Schools.
- The third largest general revenue source is occupational license fees (14.5%). This fee is levied at 1% of gross wages earned within the City limits.

Business-type Activities

The City has two business-type activities. The largest is its sewer system, which includes two, active discharge permitted wastewater treatment plants operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. In 2013, the City decided to shut down the treatment portion of the Northside Water Pollution Control Facility (Northside Facility), and made improvements to the south side facility, the H. C. Morgan Water Pollution Control Facility, that allows this plant to handle treatment of sewage for the entire city. Flow historically treated by the Northside Facility diverts to the facility in the south. The Northside Facility continues to act as a pumping station for this diverted flow. The City continues to evaluate the need for future treatment capacity, and if necessary, the Northside Facility will reopen.

The City constantly monitors the need for sewer rate changes by studying and evaluating whether existing rates will meet the projected operating and capital needs of the sewer system in the future. The last formal rate study and analysis, conducted in November 2013, resulted in confirmation that the fund's current rates are adequate to meet revenue requirements through the end of fiscal 2019. Assumptions used in this analysis included currently identified capital expenditures and no unexpected, significant changes in operating expenses, sewer sales, regulatory requirements, or the economy. Although this study only provided revenue requirements through fiscal 2019, the performance of this fund continues to be strong. The City does not expect to increase sewer rates over the next few fiscal years. City staff continues to evaluate rates internally to determine if rates are adequate for the capital and operating needs of the sewer function.

Table 6

Excerpt of Business Type Activities (Condensed)
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2020 and 2019

Business-Type Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2020	2019	2020	2019	2020	2019
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
Sewer Fund	9,149,637	9,527,438	14,525,101	13,123,373	5,375,464	3,595,935
Solid Waste Management Fund	5,078,039	5,418,704	5,226,536	5,451,429	148,497	32,725
Total business-type activities	14,227,676	14,946,142	19,751,637	18,574,802	5,523,961	3,628,660

*Program revenue for business-type activities are displayed and analyzed in detail below.

	Business-Type Activities	
	2020	2019
	\$	\$
Program revenue by source:		
Charges for services	18,271,282	17,364,321
Operating grants and contributions	101,375	380,231
Capital grants and contributions	1,378,980	830,250
Total Program Revenues - Business-Type Activities	19,751,637	18,574,802

Table 6 - continued

Excerpt of Business-Type Activities
from the
Statement of Activities

	<u>Net (Expense) Revenue</u>	
	2020	2019
	\$	\$
Net revenue of the total business-type activities	<u>5,523,961</u>	<u>3,628,660</u>
Program revenues:		
Interest and investment earnings	104,210	140,496
Gain on disposal of assets	61,180	68,571
Miscellaneous	21,555	30,196
<i>Total program revenues</i>	<u>186,945</u>	<u>239,263</u>
<i>Excess before transfers</i>	5,710,906	3,867,923
Transfers	161,923	458,983
<i>Change in net position</i>	<u>5,872,829</u>	<u>4,326,906</u>
Beginning net position	59,464,148	55,137,242
Ending net position	<u>65,336,977</u>	<u>59,464,148</u>

Table 6 shows that program revenue of the Sewer Fund business-type activity, including charges for services (sewer treatment and disposal), operating grants and contributions, and capital grants and contributions increased from the prior year by \$1.4 million (10.7%). There are several components to this change. Sewer access fees increased by \$1.1 million (69.5%). Sewer access fees are fees charged to customers for new access to the sewer system. Also contributing to the change in sewer program revenue is an increase of \$548,730 (66.1%) in sewer lines contributed by developers. Lines contributed during fiscal 2020 totaled \$1.4 million, as compared to \$830,250 in fiscal 2019. This type of contribution, driven by development, can vary greatly from year to year. Sewer service fee revenue decreased \$190,158 (1.8%). This decrease reflects the impact of increased rainfall during fiscal 2020 and the COVID-19 pandemic. Sewer service fees are calculated based on water usage. Rainfall greatly affects water usage, which in turn, affects sewer usage. Rainfall increased 8.7% from 2019 to 2020, reducing water usage. In response to the COVID-19 pandemic, many local businesses and restaurants were either temporarily closed or operating at limited capacity for many months. Auburn University turned to remote learning from March of 2020 through the end of the year, resulting in fewer students residing in Auburn during this time. Reduced population and local activities lowered sewer usage for fiscal 2020 which resulted in reduced revenues.

Sewer Fund expenses (operating plus interest expense) decreased by \$377,801 (4.0%) to \$9.1 million. The major components of this change include the following:

- Miscellaneous contractual services decreased by \$249,491 (99.8%). During fiscal 2019, the Sewer Fund reimbursed a developer \$250,000 for work performed on the North Donahue regional sewer in 2007. Work was performed under a development agreement and included construction of a sewage pump station and force main.
- Management fees paid to Veolia Water North America Operating Services, LLC for the operation, management and maintenance of the City's publicly owned wastewater treatment facilities decreased \$136,725 (7.9%). This fee is based on a percentage of the cost of operations which was lower due to reduced customer

usage. As mentioned above, customer usage decreased during fiscal 2020 because of increased rainfall and the COVID-19 pandemic.

- Pump station materials decreased by \$52,431 (69.8%). During fiscal 2019, multiple pump repairs were performed on various pump stations throughout the system.
- During fiscal 2020, the Collection Systems Division purchased software used to perform inspections on new and existing sanitary sewer and storm water infrastructure.

The City's only other business-type activity, solid waste management, receives revenue from garbage charges to customers, special trash pick-up fees, and sales of recyclables. Revenue and expenses related to this function are accounted for in the Solid Waste Management Fund (SWMF). Expenses include salaries and benefits of solid waste and recycling employees, landfill tipping fees, fuel, vehicle parts and other supplies, and depreciation expense on the capital assets used in the solid waste and recycling functions.

As Table 6 shows, revenue exceeded expenses by \$148,497 in fiscal 2020. Like the sewer function, user fees cover the cost of providing solid waste and recycling services. The City reviews and analyzes these fees regularly to ensure they continue to cover these costs. The current rate for curbside garbage service is \$23.50 with residents who receive backdoor service currently paying \$10.00 per month more. As projected operating and capital needs of the solid waste function change, the need for further analysis becomes necessary. During late fiscal 2017 and early fiscal 2018, the City worked with a consultant to develop a solid waste rate model for the City's solid waste and recycling program. Although no specific action has been taken to adjust rates based on this study, the model provides the City with a management tool to anticipate future needs, including both operating and capital costs for the solid waste and recycling function. This model also provides a means to anticipate the significance of capital expenditures on overall system financial health. The City expects to update this model with a user rate study in the summer of 2021.

Also shown in Table 6, program revenue of the SWMF business-type activity, including charges for services (garbage and recycling collection), operating contributions and grants, and capital contributions and grants, decreased from the prior year by \$224,893 (4.1%). Charges for services for solid waste collection increased by \$54,726 (1.08%). Collection fees increased \$110,344 (2.2%) which is offset by a decrease in recycling revenue. Recycling revenue decreased because the City is no longer paid for single stream recyclables, nor is it charged for processing the items. Also contributing to the change in program revenue was a decrease in operating grants and contributions of \$279,619 (73.5%). During fiscal 2018, the City transitioned to single-stream recycling in an effort to make recycling easier for citizens. This allows customers to place all recyclables into one container and place the container at the curbside for pickup on their regularly scheduled garbage collection day. The City applied for and was awarded a grant from the Alabama Department of Environmental Management (ADEM) used to purchase carts for this program. The City received \$350,000 in grant funds for recycling carts in fiscal 2019.

Expenses of the SWMF decreased by \$340,665 (6.3%). The largest component of this decrease is related to a decrease in recycling carts of \$337,467 (88.3%). As mentioned above, the City began single-stream recycling in 2018, with implementation of the program continuing into fiscal 2019. Now that the program is established and carts issued

to most residents, fewer carts will be issued each year. Also, depreciation decreased \$117,068 (16.9%) due to several large recycling and solid waste trucks being fully depreciated during fiscal 2020. The remainder of the change in expenses is the result of typical fluctuations, both up and down, in other operating expenses, such as vehicle repairs and minor tools and equipment. These changes are normal for operations of solid waste and recycling activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2020 fiscal year, its governmental funds reported a *combined* fund balance of \$128.2 million, a \$29.8 million (30.3%) increase from the prior year. The total increase in fund balance is comprised of a \$9.5 million (16.9%) increase in the General Fund's fund balance; a \$17.8 million (73.1%) increase in special revenue funds' fund balances; a \$1.5 million (19.3%) increase in the debt service fund fund balance; and a \$938,239 (9.6%) increase in capital projects funds' fund balances. The following narrative discusses the financial activities that comprise the major changes in governmental fund balances.

Governmental revenues and other financing sources

Total revenues of the governmental funds showed growth of \$4.9 million (3.8%) over the prior year. Major components of this change are described below, in statement presentation order.

- Sales and use tax, the General Fund's single largest revenue source, represents 32.9% of governmental funds' revenue in fiscal 2020. This major revenue source increased by \$34,461 (0.1%) over fiscal 2019. This minimal increase is not typical and reflects the economic impact of the COVID-19 pandemic. Many local businesses and restaurants were either temporarily closed or operating at limited capacity for many months. Auburn University turned to remote learning from March of 2020 through the end of the year, resulting in fewer students residing in Auburn during this time. Despite these challenges, certain businesses, like grocery stores, hobby and sporting goods stores, and car dealerships, experienced increased sales due to more spending by residents.
- Lodging taxes decreased \$681,222 (26.4%). This revenue source was greatly impacted by the COVID-19 pandemic due to shelter in place orders. Auburn University did not hold many of its events that attract thousands of visitors to the area, including graduation, freshman orientation, and sporting events.
- Licenses and permits increased by \$516,364 (3.4%). As mentioned in the *Governmental Activities* section, construction permits increased by \$423,427 (26.6%) and construction percent increased by \$389,396 (24.4%) due to increased construction activity across the City. These fees are collected from contractors and property owners at rates that vary based on the type of structure. These increases are offset by a decrease of \$428,003 (15.1%) in residential rental which is a license fee levied against any owner of residential property that is rented or leased and not owner-occupied. This revenue has traditionally been collected annually, but in April 2019, the City moved to quarterly collections for large apartment complexes. The normal annual collection for gross receipts occurred in February 2019, soon followed by the first quarterly collection in June 2019. This change resulted in higher revenues for fiscal 2019. COVID-19 also impacted this

revenue source because apartment complexes experienced slightly lower rental revenue due to eviction limitations and a reduced Auburn University student presence.

- General property tax revenues increased by \$2.9 million (10.0%). This revenue source is the second largest source (24.3%) of governmental funds' revenue. Property taxes continue to show steady growth in Auburn. This increase comes in the form of new property developed within the City as well as increases in assessed values on existing property. Auburn has seen growth in single-family, multi-family and student housing developments. This growth is also due to Auburn's ability to remain an attractive city and the overall health of the realty market in the Auburn area (low foreclosure rate and low turnover).
- Fines and forfeitures decreased by \$255,728 (21.0%). Due to COVID-19 restrictions, Auburn Municipal Court was closed from March through July, limiting court case processing and revenue collections.
- State shared taxes increased by \$1.3 million (47.9%). The primary component of this change is an increase in the Simplified Sellers Use Tax (SSUT), set up by state legislation, that allows eligible sellers to participate in a program to collect, report and remit a flat eight percent (8%) sellers use tax on all sales made in Alabama. The total tax is shared with the City based on population. As more remote sellers participate in this program, the City's allocation from the state increases. In fiscal 2020, the City received \$2.1 million, an increase of \$1.1 million (108.3%). This change is also indicative of the increase in online shopping during the COVID-19 pandemic.
- Grant revenue increased by \$1.1 million (60.6%). As mentioned in the *Governmental Activities* section, the City received a \$1.0 million pass-through grant from the Alabama Department of Transportation for Auburn University to complete roadway improvements to Camp Auburn Road. The City also received \$759,499 in CARES Act funding for COVID-19 expenditures.
- Interest revenue decreased by \$621,695 (31.6%) in fiscal 2020. The City primarily invests in interest-bearing demand and time deposits as well as U.S. Treasury securities, which experienced declining interest rates in fiscal 2020 due to the impact of COVID-19 on financial markets. The decrease in interest revenue is also attributable to an increase in interest revenue earned during fiscal 2019 on invested debt proceeds.

Other financing sources, excluding transfers between governmental funds, increased by \$67.2 million (1,257.3%) in fiscal 2020 as compared to fiscal 2019. In fiscal 2020, the City issued debt twice on behalf of Auburn City Schools. \$37.1 million in general obligation bonds were issued for school renovation projects and \$14.6 million in general obligation warrants were issued to refund the 2010 general obligation warrants. The City also issued \$16.0 million in general obligation warrants for construction of a new municipal parking deck. Offsetting these increases to other financing sources is a decrease from a debt issue in fiscal 2019 to refund the 2008 general obligation warrants. More information on debt issuances and/or refunding can be found in the *Long-term Debt* section of this MD&A.

Governmental expenditures and other financing uses

Total governmental expenditures increased by \$20.3 million (14.4%) in fiscal 2020 over fiscal 2019. There are several components of this change, and the most notable of these components are described below, in statement presentation order.

- Departmental expenditures increased by \$654,495 (1.1%). The most significant changes were seen in public works (increase of \$1.4 million or 38.4%), environmental services (increase of \$143,703 or 9.0%), public safety (decrease of \$563,252 or 2.3%), parks and recreation (decrease of \$376,591 or 6.5%), and risk management (decrease of \$145,073 or 34.9%). Details of these changes are listed below.
 - Public works increased by \$1.4 million (38.4%). As mentioned in the *Governmental Activities* section, the City paid \$1.0 million to Auburn University for a pass-through grant from the Alabama Department of Transportation for roadway improvements to Camp Auburn Road. Another component of this change is increased tree assessments and right of way maintenance during the year. Also, three additional full-time positions were authorized during fiscal 2020.
 - Environmental services increased by \$143,703 (9.0%). During fiscal 2020, the City's fleet services division implemented tracking software that improves the management of the City's vehicle and equipment maintenance program. This increase is offset by a reduction in requested funding from the Lee County Humane Society (LCHS). The City pays LCHS for animal sheltering services. The decrease for fiscal 2020 is due to a reduction in the number of animal intakes.
 - Public safety decreased by \$563,252 (2.3%) in fiscal 2020 as compared to 2019. The COVID-19 pandemic greatly limited local activities resulting in reduced public safety overtime expenditures and gameday services at Auburn University sporting events. Another component of this decrease was the purchase of communication equipment in fiscal 2019. The communications division purchased 220 radios and related equipment that is compatible with the new 911 console that was completed in fiscal 2020. Offsetting these decreases is an increase in salaries for 12 new police officer positions approved by Council during fiscal 2020.
 - Parks and recreation decreased by \$376,591 (6.5%) mainly due to COVID-19 restrictions. In response to the pandemic, parks and recreation facilities were temporarily closed and programs canceled, resulting in reduced expenditures for items such as temporary employees, utilities, and recreational supplies. This decrease is offset by the City's contribution to the new skate park at Indian Pines Golf Course. The City partnered with the City of Opelika on this project in fiscal 2019. The amount spent on the completion of this project in fiscal 2020 was \$280,368.
 - Risk management decreased \$145,073 (34.9%). In fiscal 2019 two catastrophic events occurred involving police officers which caused large workers' compensation expenses for that year.
- The City's payments to its component units increased by \$26.1 million (108.4%) in fiscal 2020 as compared to 2019. The most significant component of this change is an increase in debt proceeds transferred to Auburn City Schools. In fiscal 2020,

the City issued \$37.1 million in general obligation bonds on behalf of Auburn City Schools for improvements to Cary Woods Elementary School and J. F. Drake Middle School. The City holds the funds, and as construction progresses, funds are transferred to the school board to pay contractors. These transfers of debt proceeds totaled \$28.9 million in fiscal 2020.

- Table 7 provides more detail about payments to component units; additional information follows the table.

Table 7

Governmental Funds - Expenditures Comparison

<u>Paid to component units:</u>	<u>2020</u>	<u>2019</u>	<u>FY 20 > FY 19</u>
Auburn City Schools	\$	\$	\$
General revenues	13,308,711	12,997,953	310,758
Education property taxes	6,759,040	6,942,518	(183,478)
Debt issuance - Schools	28,920,775	2,643,811	26,276,964
Subtotal to Schools	48,988,526	22,584,282	26,404,244
Industrial Development Board			
Operating Costs	905,000	1,035,000	(130,000)
West Tech Park Improvements	61,433	136,370	(74,937)
Subtotal to IDB	966,433	1,171,370	(204,937)
Public Park & Rec Board	251,867	337,619	(85,752)
Total - Component Units	50,206,826	24,093,271	26,113,555

- Payments to Auburn City Schools increased by \$26.4 million (116.9%) in fiscal 2020 as compared to 2019. Details of this change are included below.
 - The City appropriated \$13.3 million (an increase of \$310,758 or 2.4%) out of its general revenue to the Auburn City Schools in fiscal year 2020. The City has committed to providing 1.25 of its 4 pennies of sales tax to the Schools. This commitment includes a floor of \$11.5 million, meaning that when 1.25 pennies of total sales tax collected is less than \$11.5 million, the City will not lower the amount appropriated to the Schools.
 - In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for principal and interest on school debt issued by the City of Auburn on behalf of Auburn City Schools and provides additional funds for operating expenses of the school system. This payment of additional operating funds of \$6.8 million in fiscal 2020 is a \$183,478 (2.6%) decrease from 2019.
 - As described previously, the City transferred debt proceeds to the schools during 2020 for improvements to Cary Woods Elementary School and J. F. Drake Middle School. The City holds these proceeds, and as construction progresses, funds are transferred to the school board to pay contractors. The total amount transferred for these projects in fiscal 2020 was \$28.9 million, an increase of \$26.3 million (993.9%) from fiscal 2019.
- The City appropriates funds to the Industrial Development Board (IDB) for economic development initiatives. This funding decreased by \$204,937 (17.5%) in fiscal 2020 as compared to 2019. Details of this change are included below.

- Payments for the operating costs of the IDB decreased by \$130,000 (12.6%) during fiscal 2020. The decrease in transfers is related to reduced IDB activities due to COVID-19 pandemic restrictions in place during fiscal 2020. The City Council continues to promote aggressive economic development as a long-term goal in providing jobs and expanding the City's revenue base. Payments to the IDB for general operations, workforce development, commercial development, and industrial development help with this continuing economic development focus.
- In addition to operating transfers to the IDB, the City of Auburn transferred \$61,433 in fiscal 2020 for construction of infrastructure in the Auburn Technology Park West, which is a \$74,937 (54.9%) decrease. This transfer will continue to decline as work winds down in this phase of the park.
- The Public Park and Recreation Board (PPRB) was established in 1990, primarily to advise the Council concerning proposed recreation projects and to acquire such recreation facilities as deemed to be in the public interest. In 2006, the City, Auburn University, and the Public Park and Recreation Board partnered to construct and manage a state-of-the-art tennis facility for student and community use. This collaboration resulted in complex transactions concerning both the borrowing and subsequent transfers among the Public Park and Recreation Board, the City, and Auburn University to properly account for the development, supervision, and daily operation of the facility. The PPRB continues to receive amounts from the General Fund for the operation of the Yarbrough Tennis Center. In 2020, the transfer decreased by \$85,752 (25.4%) to \$251,867. Due to the COVID-19 pandemic, the tennis center was temporarily closed and tournaments canceled which reduced operating costs for fiscal 2020.

Proprietary Funds

The City of Auburn has two proprietary funds, which account for its business-type activities. The Sewer Fund, an enterprise fund, accounts for sewer collection, treatment and disposal services provided to residents and businesses within the City limits. The Solid Waste Management Fund, also an enterprise fund, accounts for services to collect and dispose of solid waste and recycling materials provided to the same customers. Net position of these proprietary funds combined increased by \$5.9 million (9.9%) from fiscal 2019 to fiscal 2020.

Proprietary funds' revenues, other resources

Sewer Fund operating revenues increased by \$843,083 (6.8%) in 2020 as compared to 2019. This change in operating revenue is composed primarily of a slight decrease in sewer service fees and an increase in sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees decreased by \$190,158 (1.8%), which is attributable to drier weather conditions during fiscal 2019 and reduced usage due to COVID-19 restrictions on local activities and businesses. Sewer access fees increased by \$1.1 million (69.5%). Sewer access fees are fees charged to customers for new access to the sewer system. These fees can vary greatly from year to year depending on the level of development. In addition to changes in operating revenue, the Sewer Fund's net position increased by \$1.4 million from developers' contributions of sewer lines in fiscal 2020, which is a \$548,730 (66.1%) increase from contributions in 2019. Sewer line contributions are contingent upon completion of

commercial and residential developments in the City and like access fees, can vary significantly from year to year.

Operating revenues in the Solid Waste Management Fund increased by \$55,236 (1.1%) in 2020. This change is attributable to an increase in charges for services of \$54,726 (1.1%). This small increase is not typical and reflects reduced recycling revenue because the City is no longer paid for single-stream recyclables by its processor, nor is it charged for them. As mentioned in the *Business-type Activities* section above, operating grants decreased by \$279,619 (73.5%) due to reduced grant funding received in fiscal 2020 for the City's single-stream recycling program which began in fiscal 2018. Single-stream recycling allows customers to place all recyclables into one container and place the container at the curbside for pickup on their regularly scheduled garbage collection day. The City received \$350,000 in grant funds for recycling carts in fiscal 2019 from the Alabama Department of Environmental Management.

Proprietary funds' expenses

In the Sewer Fund, operating expenses for fiscal 2020 decreased by \$220,754 (2.7%). Components of this decrease are listed below, in statement presentation order.

- Salaries and benefits increased by \$154,875 (10.4%) to \$1.6 million. The primary component of this increase is a \$128,859 (11.8%) increase in regular full-time salaries due to normal adjustments from the City's merit pay plan as well as a cost of living adjustment effective October 1. Also, additional staffing in the sewer maintenance division contributed to this increase. The Sewer Fund budget for fiscal 2019 included approval for one line locator and four utility maintenance workers; however, not all of these positions were filled for the full fiscal year in 2019. Also, a vacancy in the watershed division was filled during fiscal 2020.
- Professional services decreased by \$279,331 (54.1%) to \$236,744. As mentioned in the *Business-type Activities* section, during fiscal 2019 a developer was reimbursed \$250,000 for work performed on the North Donahue regional sewer in 2007. Work was performed under a development agreement and included construction of a sewage pump station and force main.
- Repair parts decreased by \$75,707 (27.0%) to \$204,906. This reduction is due to multiple pump repairs performed on various pump stations throughout the system in fiscal 2019 due to aging equipment.
- Management fees decreased by \$136,725 (7.9%) to \$1.6 million. As mentioned in the *Business-type Activities* section, management fees are paid to Veolia North America Operating Services, LLC for the operation, management and maintenance of the City's publicly owned wastewater treatment facilities. The management fee is based on a percentage of the cost of operations which was lower due to reduced customer usage related to decreased rainfall during fiscal 2020 and the COVID-19 pandemic impact on local businesses and student population.

In the Solid Waste Management Fund, operating expenses decreased by \$340,666 (6.3%) in fiscal 2020 over 2019. There are four main components of this decrease:

- Minor equipment and tools decreased by \$330,713 (73.8%). This change is mainly due to a decrease in recycling carts issued to residents. As mentioned previously, the City transitioned to single-stream recycling during fiscal 2018, with implementation of the program continuing into fiscal 2019. Fewer carts will be

issued each year now that the program is established and carts have been issued to most residents.

- Depreciation decreased by \$117,068 (16.9%) in fiscal 2020 due to several solid waste and recycling trucks purchased in fiscal 2014 and 2015 being fully depreciated in fiscal 2020.

For more information related to the above funds, see the Business-type Activities section of this Management's Discussion and Analysis.

Analysis of Changes in Major Funds

Major funds are those whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The General Fund is a major fund every year. In addition to the General Fund, the Special School Tax Fund (a special revenue fund) was determined by testing to be the only other major governmental fund in 2020. The Sewer Fund is the only major fund in the business-type activities.

The General Fund (Governmental)

At the end of fiscal 2020, total fund balance of the City's General Fund increased by \$9.5 million (16.9%) from the prior year ending balance. Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2020 total ending fund balance was \$65.9 million, compared to \$56.4 million at the end of 2019.

In accordance with GASB Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance categories include the following: nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance increased by \$953,965 (20.9%) from 2019. These balances represent inventories, prepaid items, advances, and land held for resale. The City prepaid for two fire trucks which increased nonspendable fund balance for fiscal 2020. The restricted, committed and assigned categories increased by \$11.2 million (57.4%). This change is mainly due to an increase in assigned fund balance of \$11.4 million (66.2%). In accordance with GASB Statement 54 – *Fund Balance Classifications*, the amount budgeted for fund balance drawdown for the next fiscal year (FY21) must be set aside as assigned fund balance.

The General Fund's total assets increased by \$7.2 million (10.8%) during 2020. The major components of this change are listed below, in statement presentation order.

- Cash and cash equivalents increased \$11.5 million (35.9%) in fiscal 2020 as compared to 2019. This increase is attributable to excess revenue over expenditures of \$8.7 million. Also, due to the declining interest rate environment in fiscal 2020, as U. S. Treasury securities matured, the funds were moved to a money market account which was earning a comparable interest rate and provided more liquidity.
- Investments decreased \$4.1 million (26.5%) in fiscal 2020. As mentioned above, invested funds were moved to a money market account at maturity due to declining interest rates.
- Due from other funds decreased \$1.3 million (53.7%) in 2020 over 2019. The largest component of this change is a decrease of \$1.9 million in amounts due from the 2018 Public Safety Complex capital projects fund. At the end of September 2019,

this fund paid invoices to contractors for work completed on the new public safety building. Reimbursement from borrowing funds was requested but not received until October 2019. The General Fund temporarily covered this cash until the draw request was received, creating this due to/due from at the fiscal year-end of 2019.

- Prepays increased \$980,592 (1,323.2%) in fiscal 2020. Two pumper trucks for the fire department were prepaid. One will be used at the new Fire Station No. 6 which is currently under construction and the other will replace a 2010 pumper.
- Total liabilities of the General Fund decreased by \$2.4 million (23.5%) in 2020. The largest component of this change is a decrease of \$2.4 million (40.0%) in accounts payable and other accrued liabilities. At fiscal year-end 2019, accounts payable included several large invoices, including \$1.0 million for communications equipment expenditures and \$500,000 for the City's contribution to Auburn University's Jay and Susie Gouge Performing Arts Center.

Special School Tax Fund (Governmental)

The Special School Tax Fund, a special revenue fund, accounts for sixteen mills of education ad valorem tax revenue used to pay principal and interest on City bonds and warrants issued for Auburn City Schools. In addition to debt service payments, this fund provides additional funding for school operations. The school system drew \$6.8 million from this fund for operations in 2020. This is a \$183,478 (2.6%) decrease from 2019. This amount varies from year to year depending on property tax revenue collections, fund balance levels of this fund, and needs of the school system. In addition to the operating transfer, the City transferred \$28.9 million of borrowing proceeds to the school system for expenditures related to improvements at Cary Woods Elementary School and J. F. Drake Middle School. In fiscal 2020, the City issued \$37.1 million in general obligation bonds on behalf of Auburn City Schools for improvements to these facilities. The City holds the proceeds from this debt issue until Auburn City Schools requests a draw to pay construction invoices. The City then transfers borrowing proceeds necessary to cover those cash outlays.

Revenues increased by \$1.8 million (9.7%) in this fund. This increase is primarily due to new property developed within the City as well as increases in assessed values on existing property. Expenditures, including the transfers mentioned above and debt service on borrowings, increased by \$26.4 million (148.5%). Debt related other financing sources and uses increased \$41.8 million (100,770.2%). In fiscal 2020, the City issued debt twice on behalf of Auburn City Schools. \$37.1 million in general obligation bonds were issued for school renovation projects and \$14.6 million in general obligation warrants were issued to refund the 2010 general obligation warrants. These increases were offset by the fiscal 2019 debt refunding of \$5.3 million in general obligation warrants to refund the 2008 general obligation warrants. The fiscal 2020 issuances increased other financing sources while the \$14.6 million payment to the refunded bond escrow agent increased other financing uses by \$9.4 million (180.3%).

Sewer Fund (Business-type activity)

The Sewer Fund accounts for the provision of sewer services to the City's residents and businesses. In addition, the Sewer Fund accounts for the capital expansion and maintenance of the City's sewer collection, treatment and disposal facilities. While the City owns the sewer collection, treatment and disposal facilities, they are operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. Veolia also maintains the City's sewer lift stations.

The Sewer Fund's net position increased by \$5.4 million (9.5%) in fiscal year 2020. The largest change in the components of net position is an increase of \$4.3 million (9.4%) in net investment in capital assets. This net position category includes asset acquisitions as well as outstanding debt related to the assets. Also changing is an increase of \$210,209 (6.0%) in net position restricted for capital projects. Access fees collected by customers for connecting to the City's sewer system are reserved for spending on projects that expand the sewer system. Total access fees available at September 30, 2020 was \$3.7 million.

Assets of the Sewer Fund increased by \$2.5 million (2.7%). The main factor contributing to this change is an increase in cash and cash equivalents of \$996,705 (8.2%), primarily from the collection of access fees. Capital assets, both being depreciated and not being depreciated, increased \$1.3 million (1.7%).

Sewer Fund liabilities decreased by \$2.9 million (7.6%), primarily the result of principal payments on the fund's warrant payables based on debt amortization schedules. Warrants payable decreased by \$2.9 million (9.0%) in fiscal 2020 as compared to 2019. As of September 30, 2020, the Sewer Fund has \$29.6 million in outstanding warrants. These warrants include debt issued to fund capital improvements to the sewer system as well as refundings issued to take advantage of favorable interest rates. The current portion of warrants payable due in 2021 is \$3.0 million.

Operating revenues of the Sewer Fund increased by \$843,083 (6.8%). As discussed in the *Proprietary Funds* section, this change in operating revenue is composed primarily of a slight decrease in sewer service fees and an increase in sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees decreased by \$190,158 (1.8%), which is attributable to drier weather conditions during fiscal 2019 and reduced usage due to COVID-19 restrictions. Sewer access fees increased by \$1.1 million (69.5%). Sewer access fees are fees charged to customers for new access to the sewer system. These fees can vary greatly from year to year depending on the level of development.

Operating expenses decreased by \$220,754 (2.7%). Major components of this increase include an increase in salaries and benefits of \$154,875 (10.4%); a decrease in professional services of \$279,331 (54.1%); a decrease in repair parts of \$75,707 (27.0%); and a decrease in management fees of \$136,725 (7.9%). More information on these changes can be found in the *Proprietary Funds* section.

For more details on the Sewer Fund, see the *Business-type Activities* and *Proprietary Funds* sections of this Management's Discussion and Analysis.

General Fund Budgetary Highlights

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. The budget integrates with the financial management system, enabling management at all levels to determine budgetary status on a line-item basis each day. When the COVID-19 pandemic began in March 2020, management's monitoring of all City revenue sources intensified. This included the Finance Director and staff developing a revenue forecasting model that included multiple scenarios related to the potential impact of the pandemic on revenues. Management constantly reviews the annual budgets in preparation for mid-year or mid-biennium adjustments. Revenue projections

and budgeted expenditures are adjusted via Council ordinance to reflect changing conditions.

The fiscal year 2020 *final* General Fund budget projected \$100.4 million in revenue and \$1.7 million in other financing sources; appropriations were approved for \$104.2 million in expenditures and \$1.4 million in other financing uses, producing a planned reduction of \$3.5 million in the General Fund's fund balance. Actual amounts for revenues (\$103.4 million), other financing sources (\$1.2 million), expenditures (\$94.7 million), and other financing uses (\$327,621) netted to a positive change in fund balance. As a result, the General Fund's fund balance increased by \$9.5 million in 2020 from revenues and other sources and expenditures and other uses. Total ending fund balance in the General Fund was \$65.9 million at the end of fiscal 2020.

The *original* revenue projections in the General Fund were \$3.1 million under the *final* budget. Budget adjustments resulted from varied growth/decline in revenue sources, with the largest increases found in licenses and permits (\$2.1 million or 15.7%), general property tax (\$869,596 or 14.6%), and state shared taxes (\$1.7 million or 112.4%). The largest decreases were in sales and use taxes (\$1.2 million or 2.6%), lodging taxes (\$593,923 or 23.1%), and fines and forfeitures (\$199,050 or 20.2%). These reductions are in response to the COVID-19 pandemic impact on these revenue sources. Should Auburn experience financial difficulty, alteration of spending can be made because of management's assessment of revenue changes during the year, using tools such as monthly financial reports and real-time department budget to actual reports.

The *final* operating budget for all departments increased by \$3.2 million (5.1%) over the *original* budget. The three largest increases (\$919,666, \$463,032 and \$364,244) were in the amounts appropriated for the public safety, parks and recreation and employee services functions, respectively.

Total actual departmental expenditures in the General Fund were under budget by \$7.0 million in fiscal 2020. All individual departments kept expenditures under final budget, with the most notable being employee services, public safety and parks and recreation. More details of these departments are included below.

- The employee services function was under budget by \$1.2 million. This function includes the cost of operating the City's self-insured employee health benefits program. The City receives reinsurance reimbursements for medical claims exceeding \$110,000 per covered individual, per year after satisfaction of a \$125,000 aggregating specific deductible. The majority of the savings in fiscal 2020 is attributable to reinsurance reimbursements for medical claims exceeding the \$110,000 cap. This function also includes the cost of operating the City's general liability and workers' compensation self-insurance program. Workers' compensation claims were also under budget for fiscal 2020.
- The public safety function was under budget by \$1.8 million. The majority of this savings is attributable to vacant positions that were approved and budgeted in both the regular and temporary employee categories. Also, the COVID-19 pandemic reduced overtime worked by officers at Auburn University sporting events and other local functions.
- The parks and recreation function was under budget by \$1.4 million. Due to COVID-19, parks and recreation facilities were temporarily closed and programs canceled for many months. This resulted in reduced costs, including payroll, utilities, and recreational supplies.

Non-departmental expenditures were over budget by \$213,277 due to large leave payouts issued during fiscal 2020 for several retirees.

Capital outlay expenditures were under budget by \$1.8 million. The General Fund budget includes estimated expenditures for capital projects such as streets and roadway improvements and parking improvements. Many of these projects are multi-year although the budget is for the entire project. Any remaining budget for these projects is typically carried over to the next fiscal year.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

Capital assets are those assets that have a cost of \$5,000 or more (\$100,000 for software) and an expected useful life of more than two years. The City records capital assets at historical cost. If the historical cost is unknown, an estimated cost is developed as provided by Generally Accepted Accounting Principles. As of September 30, 2020, the City owned \$344.8 million invested in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, wastewater infrastructure, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$25.4 million (8.0%) over last year.

Table 8 lists the largest capital asset additions to the City for fiscal year 2020. Some of these additions were multi-year projects completed in 2020 and reclassified from construction in progress.

	<u>Total Cost</u>
<i>Roadway and intersection improvements</i>	
Moores Mill Road/I-85 widening	6,909,880
Streets constructed and donated by developers	4,777,073
Richland Road widening phase 1 & 2	2,574,074
Signalized intersection construction	1,338,566
South College Street improvements at Woodfield Drive	1,287,290
FY19 Resurfacing	876,848
<i>Other improvements</i>	
Gay Street streetscape (Glenn to Mitcham)	1,835,985
Annaloe Drive sidewalk	856,582
Frank Brown Recreation Center renovations phase 3	749,172
<i>Vehicles and equipment</i>	
Police vehicles (15)	590,352
Self contained breathing apparatuses (41)	293,970
Total	<u>22,089,792</u>

The City has committed, through general fund funding and potential future borrowings, to continue or complete some major construction projects in fiscal years 2021 and 2022. Although the timing and size of these projects could require adjustments to the schedule, the current capital improvements plan (CIP) for the next two years includes the following:

- Public safety projects, including a new fire station;
- Downtown parking improvements, including a new parking deck;
- Parks and recreation projects;

- Facility improvements, including a new building for environmental services and public works;
- Traffic and transportation projects; and
- Sewer improvement projects.

Note 9 of the narrative notes to the financial statements provides additional detail on capital assets.

Long-term Liabilities

At 2020 fiscal year-end, the City owed \$335.2 million in long-term liabilities outstanding, of which \$15.4 million will mature during fiscal 2021. Long-term liabilities include bonds, warrants, and notes payable, accumulated annual leave, claims payable, landfill closure liability, other post-employment benefits liability, and pension liability. The fiscal 2020 net increase in long-term liabilities, including the current portion, from the previous year was \$50.6 million or 17.8%.

Bonds and warrants payable

Bonds, warrants, and notes payable outstanding at September 30, 2020 totaled \$271.2 million. As mentioned in the *Net Position* section, the City issues debt for Auburn City Schools and for projects that result from partnerships with Auburn University or component units of the City. Of the \$271.2 million in debt outstanding, \$183.4 million is debt issued for assets that belong to Auburn City Schools and \$1.4 million is debt issued for assets that are owned by the City's Public Park and Recreation Board.

General obligation debt is usually payable from the City's general revenues (the General Fund). However, some long-term debt is payable from legally restricted revenue sources, such as debt issued to provide financing for the Schools, which is payable from property taxes dedicated for education purposes. In addition, the City levies a property tax, the Special Five Mill Tax, which is legally restricted for repaying debt issued to finance projects approved by the voters. The City also issues general obligation debt for sewer purposes, which is intended to be repaid from the Sewer Fund, and for capital improvements related to development agreements, which is issued with the intent being that a developer will pay the debt service as required by the agreement.

Figure D illustrates the various funding sources for the repayment of the City's long-term debt.

Figure D

Debt Principal Outstanding by Repayment Source
September 30, 2020



¹Debt outstanding in the 5-Mill Tax Fund was issued for education purposes.

At the end of fiscal 2020, the Special Five Mill Tax Fund had long-term debt outstanding of \$115.2 million. In April 2015, the City of Auburn held a special municipal bond election allowing the citizens of Auburn to vote on using the Special Five Mill Tax fund for projects for educational purposes. The City issued debt related to this referendum in June 2015. The City Council decided to dedicate the Special Five Mill Tax Fund to Auburn City Schools for use in borrowing for facility needs. Therefore, the City moved existing Special Five Mill Tax fund debt to the General Fund in fiscal 2016, leaving this new education related debt as the only debt being repaid by this fund. In July 2019, the City of Auburn held a special municipal election allowing the citizens to vote on using the Special Five Mill Tax Fund for improvements to existing school facilities, including Cary Woods Elementary and J. F. Drake Middle School. The referendum passed and \$37.1 million in general obligation bonds were issued in fiscal 2020.

The City also repays debt issued for Auburn City Schools from the Special School Tax Fund, which is a fund that accounts for 16 mills of ad valorem taxes legally designated for education purposes. The principal amount of currently outstanding school debt stands at \$68.2 million, which will be repaid from these dedicated taxes. In fiscal 2020, the City issued \$14.6 million in general obligation warrants to refund the 2010 general obligation warrants.

The Sewer Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$29.6 million at the end of fiscal 2020. Sewer Fund debt is issued to construct and improve the sewer system. Although the City issues general obligation debt, sewer service revenue supports debt payments for any sewer related debt.

The remaining \$58.1 million in outstanding principal will be repaid solely from the General Fund. This total includes the Special Five Mill Tax Fund debt that was moved to the General Fund in fiscal 2016. The last debt issued that is repaid from the General Fund is \$16.0 million in general obligation warrants issued in fiscal 2020. The proceeds from this warrant are being used to construct a municipal parking deck.

The reader may refer to Note 10 of the narrative notes to the financial statements for more detail concerning the debt issuances and debt outstanding of the City and its component units.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, and water and sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$55.9 million, resulting in a legal debt margin (additional legal debt capacity) of \$177.4 million.

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2020 is 11.7%; the ratio for 2019 was 12.9%.

Bond Ratings

In August 2019, Standard and Poor's (S&P) affirmed the City of Auburn's bond rating as AA+. In their report, S&P cites very strong management, as well as Auburn's "strong financial policies, strong budgetary performance, very strong budgetary flexibility, and very strong liquidity" as factors that were considered in the rating. According to S&P, an AA+ rating indicates a "strong capacity to meet financial commitments."

In addition, the City holds a rating of Aa2 from Moody's Investors Service, also issued in August 2019. The Moody's rating report cited the City's "strong financial position, marked by healthy reserve and liquidity" and the City's "manageable debt burden" as among the factors considered in rating the City's credit.

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

The City's strategic goals, which guide management's decision-making processes, are concisely outlined in the City's mission statement:

City of Auburn Mission Statement

The *mission* of the City of Auburn is to provide economical delivery of quality services created and designed in response to the needs of its citizens rather than by habit or tradition. We will achieve this by:

Encouraging planned and managed growth as a means of developing an attractive built-environment and protecting and conserving our natural resources;

- Creating diverse employment opportunities leading to an increased tax base;
- Providing and maintaining reliable and appropriate infrastructure;
- Providing and promoting quality housing, educational, cultural and recreational opportunities;
- Providing quality public safety services;
- Operating an adequately funded city government in a financially responsible and fiscally sound manner;
- Recruiting and maintaining a highly motivated work force committed to excellence; and
- Facilitating citizen involvement.

Auburn, like the rest of the world, was impacted by the COVID-19 pandemic. Many local businesses had to find creative and new ways to provide goods and services to its customers. Some businesses temporarily closed their doors to the public due to the nature of their business. Citizens experienced limited access to in-person activities. Auburn University turned to remote learning, resulting in a reduced student presence within the community. The most recent data available from the Alabama Department of Labor show that for September 2020, Auburn's unemployment rate (Auburn-Opelika metropolitan) was 5.6%. The State's unemployment rate in September 2020 was 6.7%, while the national rate was 7.9% (US Bureau of Labor Statistics, September 2020). The City's lower than average unemployment during the uncertainty of the COVID-19 pandemic is attributable to its aggressive, yet selective, industrial and commercial recruitment strategies, the presence of Auburn University, and the exceptional City school system, which all combine to position Auburn as a strong municipal economy.

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having announced the recruitment of more than 55 companies, resulting in the creation of over 7,900 jobs in the last 27 years. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Construction of the first phase of the Auburn

Technology Park West Annex was completed in 2020. Despite the COVID-19 pandemic, the industrial sector had positive growth, though at a slower pace than is typical for the area. SiO2 Medical Products received a \$143 million contract as part of Operation Warp Speed, which allowed the company to invest \$163 million and create 221 jobs in Auburn. Winkelmann Flowform Technology, L.P., ATS Alabama Corporation, Lotte Chemical Alabama Corporation, and Aptar CSP Technologies, Inc. all increased their capital investments in 2020. The new industry announcements and expansions that occurred in 2020 will produce a combined total of 263 new jobs for Auburn and a planned capital investment of approximately \$202 million. Auburn continues to maintain a presence in other key sectors such as aerospace, automotive and information technology.

The City's Commercial Development Incentive Program, managed by the Development Services Executive Director, has brought numerous new and redeveloped commercial enterprises to our area. During 2020, this program facilitated the continued renovation and expansion of two locations in Auburn. A commercial building on Opelika Road opened as Well-Red, which is a shop for coffee, wine, dessert and book enthusiasts. The Country Club of Auburn opened as well. It is a unique business with a restaurant and outdoor putting green, allowing patrons to "eat, drink, putt."

Auburn's consistent growth continues for many reasons. One major reason for this growth is the success of Auburn City Schools (ACS), the City's public school system. ACS has received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The ACS standard of excellence proves a major factor in the City's residential growth and contributes to the City's geographic growth through annexations. The number of building permits issued for single-family detached homes had dropped back to more typical levels for the area, fiscal 2001 (254 permits) to fiscal 2014 (388 permits), after a period of significant growth from 2004 – 2007, during which an average of 445 single family homes were permitted each year. Single-family detached permits again spiked in 2015, with 455 permits issued. The number of permits issued in this category in fiscal 2016 totaled 413 while fiscal 2017 spiked again with 529 single-family detached house permits. In fiscal 2018 and 2019, permits for single-family detached returned to typical levels. In fiscal 2020, permits for single-family detached increased by 111 (32.2%) to 456 permits. Commercial/industrial/institutional building activity (including new construction and additions/renovations) increased in fiscal year 2020 compared to the activity of 2019 in terms of valuation (\$71.0 million or 112.7%). A major component of this increase resulted from permits for a medical services building at the Auburn Research Park. The City's size has grown from 45.5 square miles in 2001 to 61.3 square miles in 2020. Population growth continues to average about 3% per year.

The City's staff considered all of the factors described above in preparing the biennial budget for fiscal years 2021 and 2022. Due to the uncertainty of the COVID-19 pandemic's impact on the City, management decided to delay finalization of the budget until later in the summer. Various revenue scenarios were developed and analyzed as management developed revenue projections. Based on these projections, revenue is budgeted very conservatively for the next biennium. Departments were instructed by the City Manager to remain level funded for contractual services and commodities for both years, with some exceptions for needed increases to maintain services at a level citizens have become accustomed to. Management's strategy has been to continue to contain operating costs while maintaining high levels of service and investing in capital asset maintenance and replacement. As mentioned in the *Capital*

Assets section of this report, the City has quite a number of capital projects slated for 2021 and 2022. As 2021 progresses and the impact of the pandemic on City finances becomes clearer, decisions will be made about the timing of these projects and any changes will be included in a budget adjustment for both years that will be presented to Council in the summer. In addition, any necessary changes to revenue projections and operating expenditures/expenses will be adjusted at this time. As of the date of this report, staff continues to closely monitor the impact of the COVID-19 pandemic on City finances and planning for the mid-biennium review of the fiscal 2021 and 2022 budget is underway.

The Council has established a goal of maintaining the fund balance in the General Fund at not less than 20% of expenditures plus other financing uses. The City has consistently exceeded this goal; the total fund balance in the General Fund at September 30, 2020 was 69.3% of expenditures plus other financing uses compared to 57.6% in 2019. The total fund balance includes \$4.2 million designated by the Council for use only in the event of natural disaster or significant, unexpected economic downturn. Total fund balance less the designated \$4.2 million comprised 64.9% of expenditures and other financing uses. Another useful measure is the comparison of fund balance with total revenues, excluding other financing sources. The General Fund's total fund balance as a percentage of revenues was 63.7% and 55.7% at the end of fiscal 2020 and 2019, respectively, another indication of the stability of fund balance.

The primary government provides wastewater treatment and disposal and solid waste management utility services. As discussed in the *Business-Type Activities* section of this report, the City constantly monitors the need for sewer and solid waste rate changes by studying and evaluating whether existing rates will meet the projected operating and capital needs of each activity in the future. There are currently no plans for a formal rate study in the Sewer Fund. During late fiscal 2017 and early fiscal 2018, the City worked with a consultant to develop a solid waste rate model for the City's solid waste and recycling program. Although no specific action has been taken to adjust rates based on this study, the model provides the City with a management tool to anticipate future needs, including both operating and capital costs for the solid waste and recycling function.

The Water Works Board of the City of Auburn, a component unit of the City, provides water services to the citizens of Auburn. During fiscal year 2018, the Board hired a rate consultant to complete a revenue sufficiency study for the Board's capital improvement plan funding. Based on the recommendation from the consultant and staff, the Board approved an 8% rate increase for fiscal 2019. The minimum monthly bill of 3,000 gallons for residential water customers increased from \$14.58 to \$15.75 (8%), effective January 1, 2019. Rates were not increased during fiscal 2020.

The Board utilizes four sources to provide safe drinking water to the citizens of Auburn: Lake Ogletree, a groundwater production well (AWWB Well #3), a groundwater source well (AWWB Well #4) and purchases from Opelika Utilities. Additionally, Lake Ogletree is sometimes supplemented with water from the Martin Marietta Quarry.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens enjoy and continue to expect a high quality of life from their City government. In the past, Auburn citizens have demonstrated their willingness to pay for these services and facilities by supporting the Council's decision to increase the sales tax rate as necessary. The last increase was in fiscal 2011 when the Council made a decision to increase the sales tax rate from 3% to 4%. This public support is attributable, at least in

part, to the open government policies of the City Council, as well as the public's confidence that the City's finances are carefully managed, and their knowledge that taxes and license fee increases are imposed infrequently and proposed only after deliberate study and debate. Auburn's management team carefully follows potential revenue changes at the state level, as well. As bills that could potentially affect the City's revenue structure are introduced, staff carefully reviews the bills and actively lobbies, as appropriate. Although there are no future changes to tax rates planned, Auburn's management continues to evaluate and project the needs of the City and will make recommendations to the City Council, as necessary.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Auburn's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. For any additional questions or information, please contact the City of Auburn Finance Department by mail, 144 Tichenor Avenue, Suite 5, Auburn, Alabama 36830, or by email, webfinance@auburnalabama.org. Updated financial information about the City is also available by accessing the City's web site at www.auburnalabama.org/annualreport.



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BASIC FINANCIAL STATEMENTS

These statements provide a summary overview of the financial position of all funds and of the operating results by fund types for the City and its component units.

They also serve as an introduction to the more detailed statements and schedules that follow. Separate columns are used for each fund type and for each of the City's discretely presented component units.

Notes to the financial statements are an integral part of these statements.

STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	79,307,803	15,349,214	94,657,017	61,431,291
Certificates of deposit	85,969	-	85,969	59,436
Receivables, net	12,167,045	2,250,874	14,417,919	2,174,289
Accrued interest receivable	-	-	-	39,717
Due from component units	483,578	475,406	958,984	-
Inventories	281,141	61,011	342,152	599,809
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	115,829	-	115,829	9,048
Current portion of net investment in capital leases	-	-	-	942,836
Property tax receivable	-	-	-	8,965,210
Due from other governments	-	-	-	2,367,194
Due from primary government	-	-	-	2,205,543
Other current assets	1,158,815	51,824	1,210,639	215,735
Restricted cash	27,568,756	-	27,568,756	3,065,922
Total current assets	<u>121,351,846</u>	<u>18,188,329</u>	<u>139,540,175</u>	<u>82,076,030</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	1,912,408
Investments	-	-	-	1,739,843
Interest receivable	-	-	-	19
Assessments receivable, net of current portion	182,910	-	182,910	-
Mortgages and notes receivable, net of current portion	1,977,334	-	1,977,334	-
Investments	15,502,947	-	15,502,947	-
Net investment in capital leases, net of current portion	-	-	-	19,503,395
Advances to other agencies	46,530	-	46,530	-
Property for resale	4,131,127	-	4,131,127	8,346,865
Capital assets not being depreciated	75,996,549	2,893,785	78,890,334	65,679,325
Capital assets net of accumulated depreciation	187,289,906	78,668,511	265,958,417	276,874,112
Total noncurrent assets	<u>285,127,303</u>	<u>81,562,296</u>	<u>366,689,599</u>	<u>374,055,967</u>
Total assets	<u>406,479,149</u>	<u>99,750,625</u>	<u>506,229,774</u>	<u>456,131,997</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	1,737,357	2,096,365	3,833,722	1,910,784
Pension related	8,312,294	741,286	9,053,580	14,464,283
OPEB related	1,922,523	210,634	2,133,157	9,845,039
Total deferred outflows of resources	<u>11,972,174</u>	<u>3,048,285</u>	<u>15,020,459</u>	<u>26,220,106</u>

STATEMENT OF NET POSITION, CONTINUED

AS OF SEPTEMBER 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	188,024
Due to other government	-	-	-	1,525
Current portion of long-term debt	-	-	-	1,306,607
Accrued interest payable	-	-	-	200,978
Accounts payable and other accrued liabilities	5,872,627	743,988	6,616,615	7,982,338
Payable to other governments	10,882	-	10,882	-
Due to component units	2,188,100	17,443	2,205,543	-
Accrued interest payable	3,039,551	351,465	3,391,016	-
Salaries and benefits payable	688,124	108,881	797,005	6,865,064
Claims payable	546,164	-	546,164	-
Customer deposits	248,391	677,192	925,583	522,191
Unearned revenue	2,535,246	-	2,535,246	1,128,432
Current portion of long-term debt	12,324,654	3,044,000	15,368,654	11,337,245
Due to primary government	-	-	-	958,984
Total current liabilities	<u>27,453,739</u>	<u>4,942,969</u>	<u>32,396,708</u>	<u>30,491,388</u>
Noncurrent liabilities:				
Long-term debt and other liabilities	244,570,871	29,132,301	273,703,172	76,580,355
Net pension liability	37,331,719	2,722,101	40,053,820	75,194,316
Net OPEB liability	5,467,966	572,860	6,040,826	31,345,127
Total noncurrent liabilities	<u>287,370,556</u>	<u>32,427,262</u>	<u>319,797,818</u>	<u>183,119,798</u>
Total liabilities	<u>314,824,295</u>	<u>37,370,231</u>	<u>352,194,526</u>	<u>213,611,186</u>
DEFERRED INFLOWS OF RESOURCES				
Future property tax revenue	-	-	-	8,965,210
Pension related	-	64,024	64,024	2,915,735
OPEB related	271,512	27,678	299,190	38,191,756
Total deferred inflows of resources	<u>271,512</u>	<u>91,702</u>	<u>363,214</u>	<u>50,072,701</u>
NET POSITION				
Net investment in capital assets	219,751,610	51,637,747	271,389,357	273,531,523
Restricted for :				
Capital projects	2,935,491	3,711,650	6,647,141	3,652,251
Debt service	9,348,584	-	9,348,584	2,913,794
Federal and state grants	3,994,336	-	3,994,336	-
Restricted for investments	1,765,891	-	1,765,891	4,275,203
Special revenues (gas tax and road projects)	91,641	-	91,641	-
Special revenues (education)	39,095,692	-	39,095,692	-
Special revenues (public safety)	441,158	-	441,158	-
Unrestricted (deficit)	(174,068,887)	9,987,580	(164,081,307)	(65,704,554)
Total net position	<u>103,355,516</u>	<u>65,336,977</u>	<u>168,692,493</u>	<u>218,668,217</u>

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities:								
General government and administration	11,211,997	17,828,678	4,271,373	-	10,888,054	-	10,888,054	
Public works	9,603,058	-	1,883,194	5,974,707	(1,745,157)	-	(1,745,157)	
Environmental services	1,793,232	-	-	-	(1,793,232)	-	(1,793,232)	
Public safety	25,068,120	6,570,954	102,907	37,949	(18,356,310)	-	(18,356,310)	
Library	2,574,545	13,643	21,416	-	(2,539,486)	-	(2,539,486)	
Parks and recreation	6,872,513	536,940	-	275,613	(6,059,960)	-	(6,059,960)	
Development services	5,723,548	57,730	59,158	243,604	(5,363,056)	-	(5,363,056)	
Social and economic development	6,781,786	-	583,705	76,116	(6,121,965)	-	(6,121,965)	
Human resources	6,736,121	4,671,444	-	-	(2,064,677)	-	(2,064,677)	
Risk management	1,020	2,928	-	-	1,908	-	1,908	
Education (payments to Board of Education)	48,988,527	-	-	-	(48,988,527)	-	(48,988,527)	
Interest on long-term debt	8,484,353	-	-	-	(8,484,353)	-	(8,484,353)	
Total governmental activities	<u>133,838,820</u>	<u>29,682,317</u>	<u>6,921,753</u>	<u>6,607,989</u>	<u>(90,626,761)</u>	<u>-</u>	<u>(90,626,761)</u>	
Business-type activities:								
Sewer Fund	9,149,637	13,145,358	763	1,378,980	-	5,375,464	5,375,464	
Solid Waste Management Fund	5,078,039	5,125,924	100,612	-	-	148,497	148,497	
Total business-type activities	<u>14,227,676</u>	<u>18,271,282</u>	<u>101,375</u>	<u>1,378,980</u>	<u>-</u>	<u>5,523,961</u>	<u>5,523,961</u>	
Total primary government	<u>148,066,496</u>	<u>47,953,599</u>	<u>7,023,128</u>	<u>7,986,969</u>	<u>(90,626,761)</u>	<u>5,523,961</u>	<u>(85,102,800)</u>	
Component units:								
Board of Education	96,570,674	4,881,230	55,576,501	2,879,973	-	-	-	(33,232,970)
Water Works Board	12,423,667	12,555,759	-	2,749,275	-	-	-	2,881,367
Industrial Development Board	5,094,415	4,364,508	-	125,442	-	-	-	(604,465)
Public Park & Recreation Board	781,054	73,744	-	-	-	-	-	(707,310)
Downtown Redevelopment Authority	12,030	-	-	-	-	-	-	(12,030)
Total Component Units	<u>114,881,840</u>	<u>21,875,241</u>	<u>55,576,501</u>	<u>5,754,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,675,408)</u>
General revenues								
Taxes:								
Sales taxes					43,838,542	-	43,838,542	8,623,889
Occupational license fees					13,829,887	-	13,829,887	-
Property taxes					32,475,761	-	32,475,761	14,824,314
Motor fuel taxes					384,207	-	384,207	-
Lodging taxes					1,900,502	-	1,900,502	-
Rental and leasing taxes					985,837	-	985,837	-
Cigarette taxes					55,060	-	55,060	-
Alcoholic beverage taxes					240,033	-	240,033	636,164
Other taxes					-	-	-	57,297
Appropriations from the City of Auburn					-	-	-	38,958,710
Federal and state aid not restricted					-	-	-	1,760
Interest and investment earnings					1,345,326	104,210	1,449,536	734,248
Gain/(Loss) on disposal of assets					41,621	61,180	102,801	(1,701,788)
Investment decrease upon hedge dermination					-	-	-	(283,500)
Miscellaneous					237,085	21,555	258,640	1,436,324
Transfers					(161,923)	161,923	-	-
Total general revenues and transfers					<u>95,171,938</u>	<u>348,868</u>	<u>95,520,806</u>	<u>63,287,418</u>
Change in net position					<u>4,545,177</u>	<u>5,872,829</u>	<u>10,418,006</u>	<u>31,612,010</u>
Net position - beginning					98,810,343	59,464,148	158,274,488	187,056,207
Net position - ending					<u>103,355,516</u>	<u>65,336,977</u>	<u>168,692,493</u>	<u>218,668,217</u>

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2020

	General Fund	Special School Tax Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
ASSETS				
Cash and cash equivalents	43,375,609	24,157,007	11,775,188	79,307,804
Certificates of deposit	85,969	-	-	85,969
Investments	11,376,619	2,534,986	1,591,342	15,502,947
Receivables, net	11,408,709	148,255	1,225,900	12,782,864
Due from other funds	1,086,314	-	-	1,086,314
Due from component units	483,578	-	-	483,578
Inventories	281,141	-	-	281,141
Prepaid items	1,054,697	-	-	1,054,697
Mortgages receivable	-	-	1,843,163	1,843,163
Advances to other agencies	46,530	-	-	46,530
Restricted cash	236,054	14,420,012	12,912,690	27,568,756
Property for resale	4,131,127	-	-	4,131,127
Total assets	73,566,347	41,260,260	29,348,283	144,174,890
LIABILITIES				
Accounts payable and accrued liabilities	3,652,291	-	2,932,864	6,585,155
Payables to other governments	10,882	-	-	10,882
Due to component units	22,687	2,164,568	845	2,188,100
Customer deposits	223,987	-	-	223,987
Claims payable	634,135	-	-	634,135
Due to other funds	-	-	1,086,314	1,086,314
Unearned revenue	3,147,206	-	2,123,773	5,270,979
Total liabilities	7,691,188	2,164,568	6,143,796	15,999,552
FUND BALANCES				
Nonspendable				
Inventories	281,141	-	-	281,141
Prepaid items	1,054,697	-	-	1,054,697
Advances	46,530	-	-	46,530
Property for resale	4,131,127	-	-	4,131,127
Restricted				
Roads, bridges and streets	-	-	91,641	91,641
Law enforcement	236,054	-	541,521	777,575
Education	-	39,095,692	-	39,095,692
General grants	-	-	623,623	623,623
Social and economic development	-	-	1,795,382	1,795,382
Capital projects	-	-	10,758,006	10,758,006
Debt service	-	-	9,348,584	9,348,584
Committed				
Investments	1,765,891	-	-	1,765,891
Interest Subsidy Program	-	-	45,730	45,730
Assigned				
General	28,638,302	-	-	28,638,302
Unassigned	29,721,417	-	-	29,721,417
Total fund balances	65,875,159	39,095,692	23,204,487	128,175,339
Total liabilities and fund balances	73,566,347	41,260,260	29,348,283	

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.	263,286,455
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(287,994,550)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,985,733
Prepaid items accounted for using the purchases method are not reported in the funds.	104,118
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(3,201,579)
Net position of governmental activities	103,355,516

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Special School Tax Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$
Revenues				
Sales and use taxes	43,838,542	-	-	43,838,542
Occupational license fees	13,829,887	-	-	13,829,887
Motor fuel taxes	755,957	-	-	755,957
Lodging taxes	1,900,502	-	-	1,900,502
Rental and leasing taxes	985,837	-	-	985,837
Other taxes	295,093	-	-	295,093
Licenses and permits	15,704,555	-	-	15,704,555
General property taxes	6,946,386	19,730,215	5,799,160	32,475,761
Charges for services	12,999,117	-	-	12,999,117
Fines and forfeitures	850,436	-	111,527	961,963
State shared taxes	3,524,795	-	509,944	4,034,739
Contributions from the public	861,015	-	36,721	897,736
Grants	-	-	2,828,665	2,828,665
Program income	-	-	286,633	286,633
Interest	628,589	519,084	197,653	1,345,326
Miscellaneous	237,683	-	441	238,124
Total revenues	<u>103,358,394</u>	<u>20,249,299</u>	<u>9,770,744</u>	<u>133,378,437</u>
Expenditures				
General government and administration	5,782,106	-	10,888	5,792,994
Public works	3,867,394	-	1,001,500	4,868,894
Environmental services	1,734,247	-	-	1,734,247
Public safety	23,844,918	-	55,505	23,900,423
Library	2,384,557	-	21,416	2,405,973
Parks and recreation	5,460,467	-	-	5,460,467
Development services	5,189,569	-	-	5,189,569
Social and economic development	3,588,369	-	531,368	4,119,737
Human Resources	6,648,145	-	-	6,648,145
Risk management	270,056	-	-	270,056
Total departmental	<u>58,769,828</u>	<u>-</u>	<u>1,620,677</u>	<u>60,390,505</u>
Non-Departmental	2,282,368	640,328	596,484	3,519,180
Debt service				
Administrative charges	3,039	435,281	29,940	468,260
Interest	1,858,217	2,365,064	4,250,809	8,474,090
Principal retirement	4,803,441	4,976,242	180,000	9,959,683
Capital outlay	10,841,942	-	15,867,356	26,709,298
Intergovernmental	1,682,635	-	-	1,682,635
Payments to component units	14,465,577	35,679,816	61,433	50,206,826
Total expenditures	<u>94,707,047</u>	<u>44,096,731</u>	<u>22,606,699</u>	<u>161,410,477</u>
Excess (deficiency) of revenues over expenditures	<u>8,651,347</u>	<u>(23,847,432)</u>	<u>(12,835,955)</u>	<u>(28,032,040)</u>
Other financing sources (uses)				
Debt issuance	-	37,090,000	16,000,000	53,090,000
Debt refunding	-	14,625,000	-	14,625,000
Premium on debt issued	-	4,771,149	-	4,771,149
Payment to refunded bond escrow agent	-	(14,625,000)	-	(14,625,000)
Sale of surplus assets	99,240	-	4,510	103,750
Transfers in	1,087,877	-	718,230	1,806,107
Transfers out	(327,621)	-	(1,640,408)	(1,968,029)
Total other financing sources (uses)	<u>859,496</u>	<u>41,861,149</u>	<u>15,082,332</u>	<u>57,802,977</u>
Net changes in fund balances	9,510,843	18,013,717	2,246,378	29,770,937
Fund balances, beginning of year	<u>56,364,317</u>	<u>21,081,975</u>	<u>20,958,109</u>	<u>98,404,401</u>
Fund balances, end of year	<u>65,875,160</u>	<u>39,095,692</u>	<u>23,204,487</u>	<u>128,175,339</u>

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, 2020

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

Net change in fund balances - total governmental funds \$ 29,770,937

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 19,268,909

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position. 5,405,349

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond issue insurance, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (47,901,466)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,636,624)

Revenues previously recorded as unearned revenue in governmental funds that were recognized in prior years in the statement of activities, but in the current year in governmental funds. (361,928)

Change in net position - statement of activities \$ 4,545,177

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET TO ACTUAL - GENERAL FUND PRESENTED BY LEGAL LEVEL OF BUDGETARY CONTROL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Sales and use taxes	44,487,705	43,319,074	43,838,542	519,468
Occupational license fees	12,730,800	12,639,805	13,829,887	1,190,082
Motor fuel taxes	838,536	754,682	755,957	1,275
Lodging taxes	2,567,378	1,973,455	1,900,502	(72,953)
Rental and leasing taxes	901,765	857,444	985,837	128,393
Other taxes	308,080	292,400	295,093	2,693
Licenses and permits	13,219,902	15,290,478	15,704,555	414,077
General property taxes	5,944,832	6,814,428	6,946,386	131,958
Charges for services	12,750,920	13,045,948	12,999,117	(46,831)
Fines and forfeitures	983,000	783,950	850,436	66,486
State shared taxes	1,488,500	3,162,091	3,524,795	362,704
Contributions from the public	812,524	713,774	861,015	147,241
Interest	272,066	545,331	628,589	83,258
Miscellaneous	27,500	243,942	237,683	(6,259)
Total revenues	<u>97,333,508</u>	<u>100,436,802</u>	<u>103,358,394</u>	<u>2,921,592</u>
Expenditures				
City Council	182,526	250,526	223,835	26,691
Office of City Manager	1,211,688	1,310,847	1,146,822	164,025
Judicial	891,591	911,305	816,742	94,563
Information Technology	2,132,123	2,251,707	2,085,948	165,759
Finance	1,675,310	1,744,606	1,465,137	279,469
Economic development	3,640,869	3,744,319	3,080,584	663,735
Development Services	376,109	386,836	288,159	98,677
Planning Services	806,721	828,858	704,165	124,693
Inspection Services	1,285,963	1,425,458	1,309,683	115,775
Community Services	442,357	530,161	507,784	22,377
Engineering Services	3,082,512	3,244,201	2,887,563	356,638
Employee services	7,736,158	8,100,402	6,918,200	1,182,202
Public safety	24,712,638	25,632,304	23,844,918	1,787,386
Public works	3,780,998	4,069,048	3,867,394	201,654
Environmental services	1,756,778	1,948,708	1,734,247	214,461
Library	2,397,719	2,447,686	2,384,557	63,129
Parks and recreation	6,440,818	6,903,850	5,460,467	1,443,383
Total departmental	<u>62,552,878</u>	<u>65,730,822</u>	<u>58,726,205</u>	<u>7,004,617</u>
Non-departmental	2,132,944	2,112,714	2,325,991	(213,277)
Debt service:				
Administrative charges	3,000	3,000	3,039	(39)
Interest	3,034,077	1,858,077	1,858,217	(140)
Principal retirement	5,587,441	4,803,441	4,803,441	-
Capital outlay	9,395,063	12,658,345	10,841,942	1,816,403
Intergovernmental	1,656,457	1,980,624	1,682,635	297,989
Payments to component units	15,000,064	15,060,064	14,465,577	594,487
Total expenditures	<u>99,361,924</u>	<u>104,207,087</u>	<u>94,707,047</u>	<u>9,500,040</u>
Excess (deficiency) of revenues over expenditures	<u>(2,028,416)</u>	<u>(3,770,285)</u>	<u>8,651,347</u>	<u>12,421,632</u>
Other financing sources (uses)				
Sale of surplus assets	60,000	86,288	99,240	12,952
Transfers in	911,250	1,611,798	1,087,877	(523,921)
Transfers out	(800,000)	(1,412,000)	(327,621)	1,084,379
Total other financing sources (uses)	<u>171,250</u>	<u>286,086</u>	<u>859,496</u>	<u>573,410</u>
Net changes in fund balances	(1,857,166)	(3,484,199)	9,510,843	12,995,042
Fund balances, beginning of year	56,364,317	56,364,317	56,364,317	-
Fund balances, end of year	<u>54,507,151</u>	<u>52,880,118</u>	<u>65,875,160</u>	<u>12,995,042</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL SPECIAL SCHOOL TAX SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
General property taxes	17,263,880	18,539,910	19,730,215	1,190,305
Interest	100,000	250,000	519,084	269,084
Total revenues	<u>17,363,880</u>	<u>18,789,910</u>	<u>20,249,299</u>	<u>1,459,389</u>
Expenditures				
Non-Departmental	625,395	625,395	640,328	(14,933)
Debt service				
Administrative charges	663,080	435,277	435,281	(4)
Interest	2,677,097	2,365,598	2,365,064	534
Principal retirement	4,911,780	4,976,242	4,976,242	-
Payments to component units	6,759,040	38,379,040	35,679,816	2,699,224
Total expenditures	<u>15,636,392</u>	<u>46,781,552</u>	<u>44,096,731</u>	<u>2,684,821</u>
Excess (deficiency) of revenues over expenditures	<u>1,727,488</u>	<u>(27,991,642)</u>	<u>(23,847,432)</u>	<u>4,144,210</u>
Other financing sources (uses)				
Debt issuance	66,090,000	51,715,000	37,090,000	(14,625,000)
Debt refunding	-	-	14,625,000	14,625,000
Premium on debt issued	-	-	4,771,149	4,771,149
Payment to refunded bond escrow agent	-	(14,625,000)	(14,625,000)	-
Total other financing sources (uses)	<u>66,090,000</u>	<u>37,090,000</u>	<u>41,861,149</u>	<u>4,771,149</u>
Net changes in fund balances	67,817,488	9,098,358	18,013,717	8,915,359
Fund balances, beginning of year	<u>21,081,975</u>	<u>21,081,975</u>	<u>21,081,975</u>	<u>-</u>
Fund balances, end of year	<u><u>88,899,463</u></u>	<u><u>30,180,333</u></u>	<u><u>39,095,692</u></u>	<u><u>8,915,359</u></u>

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

AS OF SEPTEMBER 30, 2020

	Major Fund		Total
	Sewer Fund	Solid Waste Management Fund	
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	13,225,649	2,123,565	15,349,214
Receivables, net	1,621,918	628,957	2,250,875
Due from other funds	-	40	40
Due from component units	356,696	118,710	475,406
Inventories	25,267	35,744	61,011
Other current assets	30,465	21,359	51,824
Total current assets	15,259,995	2,928,375	18,188,370
Noncurrent assets			
Capital assets not being depreciated	2,893,785	-	2,893,785
Capital assets net of accumulated depreciation	77,072,627	1,595,884	78,668,511
Total noncurrent assets	79,966,412	1,595,884	81,562,296
Total assets	95,226,407	4,524,259	99,750,666
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	2,096,365	-	2,096,365
Pension related	343,307	397,979	741,286
OPEB related	91,319	119,315	210,634
Total deferred outflows of resources	2,530,991	517,294	3,048,285
LIABILITIES			
Current liabilities			
Accounts payable	614,882	129,107	743,989
Salaries and benefits payable	37,697	71,184	108,881
Due to component units	12,585	4,858	17,443
Due to other funds	40	-	40
Accrued interest payable	351,465	-	351,465
Customer deposits	485,201	191,991	677,192
Current portion of long-term debt	3,044,000	-	3,044,000
Total current liabilities	4,545,870	397,140	4,943,010
Noncurrent liabilities			
Long-term debt and other liabilities	29,059,863	72,438	29,132,301
Net pension liability	1,184,781	1,537,320	2,722,101
Net OPEB liability	254,624	318,236	572,860
Total noncurrent liabilities	30,499,268	1,927,994	32,427,262
Total liabilities	35,045,138	2,325,134	37,370,272
DEFERRED INFLOWS OF RESOURCES			
Pension related	21,555	42,469	64,024
OPEB related	12,713	14,965	27,678
Total deferred inflows of resources	34,268	57,434	91,702
NET POSITION			
Net investment in capital assets	50,041,863	1,595,884	51,637,747
Restricted for capital projects	3,711,650	-	3,711,650
Unrestricted	8,924,479	1,063,101	9,987,580
Total net position	62,677,992	2,658,985	65,336,977

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Major Fund	Solid Waste Management Fund	Total
	Sewer Fund		
	\$	\$	\$
Operating revenues			
Charges for services	13,145,358	5,125,924	18,271,282
Miscellaneous	15,933	5,621	21,554
Total operating revenues	<u>13,161,291</u>	<u>5,131,545</u>	<u>18,292,836</u>
Operating expenses			
Salaries and wages	1,241,468	1,995,500	3,236,968
Employee benefits	400,964	608,503	1,009,467
Repairs and maintenance	10,692	15,112	25,804
Utilities	690,717	819	691,536
Professional services	236,744	785,629	1,022,373
Rentals and leasing	92,600	-	92,600
Insurance	30,272	37,912	68,184
Office supplies	105,930	1,072	107,002
Fuels and lubricants	41,229	195,649	236,878
Agricultural and chemical supplies	34,111	3,603	37,714
Minor equipment and tools	94,652	117,277	211,929
Repair parts and materials	204,906	350,276	555,182
Clothing and linens	28,291	5,801	34,092
Sewer service fees	215,711	-	215,711
Management fees	1,601,679	334,000	1,935,679
Depreciation/amortization	2,907,429	576,583	3,484,012
Travel and training	18,589	3,449	22,038
Miscellaneous	932	46,852	47,784
Total operating expenses	<u>7,956,916</u>	<u>5,078,037</u>	<u>13,034,953</u>
Operating income (loss)	<u>5,204,375</u>	<u>53,508</u>	<u>5,257,883</u>
Nonoperating revenues (expenses)			
Interest earned	93,229	10,981	104,210
Interest and fiscal charges	(1,192,720)	-	(1,192,720)
Gain (loss) on disposal of capital assets	59,397	1,782	61,179
Grants	763	100,612	101,375
Total nonoperating revenues (expenses)	<u>(1,039,331)</u>	<u>113,375</u>	<u>(925,956)</u>
Income (loss) before transfers and capital contributions	4,165,044	166,883	4,331,927
Transfers	(94,505)	256,428	161,923
Capital contributions - developers	<u>1,378,980</u>	<u>-</u>	<u>1,378,980</u>
Change in net position	5,449,519	423,311	5,872,830
Net position - beginning	57,228,473	2,235,675	59,464,148
Net position - ending	<u><u>62,677,992</u></u>	<u><u>2,658,985</u></u>	<u><u>65,336,977</u></u>

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Major Fund		Total
	Sewer Fund	Solid Waste Management Fund	
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	12,949,846	5,025,663	17,975,509
Other cash collected	15,933	5,621	21,554
Customer deposits collected	(122,789)	-	(122,789)
Payments to suppliers for goods and services	(3,299,158)	(1,929,048)	(5,228,206)
Payments to employees for services	(1,575,781)	(2,546,823)	(4,122,604)
Net cash provided (consumed) by operating activities (A)	<u>7,968,051</u>	<u>555,413</u>	<u>8,523,464</u>
Cash flows from noncapital financing activities			
Transfers in	16,193	311,428	327,621
Transfers out	(110,698)	(55,000)	(165,698)
Proceeds from operating grant	763	100,612	101,375
Net cash provided (consumed) by noncapital financing activities	<u>(93,742)</u>	<u>357,040</u>	<u>263,298</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(2,936,000)	-	(2,936,000)
Proceeds from sale of assets	62,897	1,782	64,679
Acquisition and construction of capital assets	(2,850,747)	-	(2,850,747)
Interest and fiscal fees paid	(1,246,986)	-	(1,246,986)
Net cash provided (consumed) by capital and related financing activities	<u>(6,970,836)</u>	<u>1,782</u>	<u>(6,969,054)</u>
Cash flows from investing activities			
Interest on investments	93,229	10,981	104,210
Net cash provided (consumed) by investing activities	<u>93,229</u>	<u>10,981</u>	<u>104,210</u>
Net increase (decrease) in cash	996,702	925,216	1,921,918
Cash and cash equivalents, beginning of year	12,228,944	1,198,348	13,427,292
Cash and cash equivalents, end of year	<u>13,225,649</u>	<u>2,123,564</u>	<u>15,349,210</u>
Reconciliation of operating income (loss) to net cash provided by operating activities (A):			
Operating income (loss)	5,204,375	53,508	5,257,883
Add:			
Depreciation	2,907,429	576,583	3,484,012
Increase in accounts payable	200,454	33,765	234,219
Decrease in accounts receivable	90,646	-	90,646
Increase in accrued leave	17,022	-	17,022
Increase in due to other funds	40	-	40
Increase in pension related liabilities	168,559	180,052	348,611
Increase in OPEB liability	101,086	133,433	234,519
Deduct:			
Increase in accounts receivable	(763)	(100,261)	(101,024)
Decrease in customer deposits	(122,789)	(16,057)	(138,846)
Decrease in amounts due to component units	(79,405)	(28,520)	(107,925)
Decrease in accrued leave	-	(3,514)	(3,514)
Increase in amounts due from component units	(285,394)	-	(285,394)
Increase in prepaid items	(13,192)	(20,785)	(33,977)
Increase in deferred pension contributions	(52,161)	(52,451)	(104,612)
Decrease in pension related deferred inflows	(84,308)	(90,057)	(174,365)
Decrease in OPEB related deferred inflows	(2,700)	(3,564)	(6,264)
Increase in OPEB related deferred outflows	(80,848)	(106,719)	(187,567)
Net cash provided by operating activities	<u>7,968,051</u>	<u>555,413</u>	<u>8,523,464</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	1,378,980	-	1,378,980
	<u>1,378,980</u>	<u>-</u>	<u>1,378,980</u>

STATEMENT OF FIDUCIARY NET POSITION

AS OF SEPTEMBER 30, 2020

	Youth Athletic Associations' Private-purpose Trust Fund
	<u>\$</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u>643,254</u>
Total assets	<u>643,254</u>
NET POSITION	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	106,932
Auburn Soccer Organization	447,662
Auburn Youth Football	42,449
Auburn Community Tennis Association	22,380
Auburn Cemetery Trust	<u>23,831</u>
Total net position	<u><u>643,254</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Youth Athletic Associations' Private-purpose Trust Fund
	<u>\$</u>
ADDITIONS	
Program revenues:	
Baseball/Softball	36,779
Soccer	60,697
Football	31,405
Tennis	2,254
Total program revenues	<u>131,135</u>
Investment earnings:	
Baseball/Softball interest	221
Soccer interest	969
Football interest	41
Tennis interest	7
Cemetery Trust interest	60
Total investment earnings	<u>1,298</u>
Total additions	<u>132,433</u>
DEDUCTIONS	
Program expenses:	
Baseball/Softball	61,102
Soccer	95,508
Football	17,626
Tennis	1,383
Total deductions	<u>175,619</u>
Change in net position	(43,186)
Net position - beginning	<u>686,440</u>
Net position - ending	<u><u>643,254</u></u>

DISCRETELY PRESENTED COMPONENT UNITS COMBINING STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2020

	Major Component Units				Total
	Board of Education	Water Works Board	Industrial Development Board	Nonmajor Component Units	
	\$	\$	\$	\$	\$
ASSETS					
Current assets:					
Cash and cash equivalents	48,440,699	10,977,591	2,011,124	1,877	61,431,291
Certificates of deposit	-	-	59,436	-	59,436
Receivables, net	6,024	1,656,310	496,903	15,052	2,174,289
Accrued interest receivable	2,519	-	37,198	-	39,717
Inventories	190,967	408,842	-	-	599,809
Current portion of mortgages and notes receivable	-	-	9,048	-	9,048
Current portion of net investment in capital leases	-	-	904,451	38,385	942,836
Property tax receivable	8,965,210	-	-	-	8,965,210
Due from other government	2,365,743	1,451	-	-	2,367,194
Due from primary government	2,164,568	40,975	-	-	2,205,543
Other current assets	-	102,631	109,685	3,419	215,735
Restricted cash	-	-	3,065,922	-	3,065,922
Total current assets	62,135,730	13,187,800	6,693,767	58,733	82,076,030
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	1,912,408	-	-	1,912,408
Investments	-	1,739,843	-	-	1,739,843
Interest receivable	-	19	-	-	19
Net investment in capital leases, net of current portion	-	-	18,293,793	1,209,602	19,503,395
Property for resale	-	-	8,346,865	-	8,346,865
Capital assets not being depreciated	46,086,917	10,125,275	9,467,133	-	65,679,325
Capital assets, net of accumulated depreciation	161,620,553	72,927,039	38,750,812	3,575,708	276,874,112
Total noncurrent assets	207,707,470	86,704,584	74,858,603	4,785,310	374,055,967
Total assets	269,843,200	99,892,384	81,552,370	4,844,043	456,131,997
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on refunding, net	-	1,910,784	-	-	1,910,784
OPEB related	9,721,303	109,101	-	14,635	9,845,039
Pension related	14,188,576	237,604	-	38,103	14,464,283
Total deferred outflows of resources	23,909,879	2,257,489	-	52,738	26,220,106
LIABILITIES					
Current liabilities:					
Liabilities payable from restricted assets:					
Accounts payable	-	188,024	-	-	188,024
Due to other government	1,525	-	-	-	1,525
Current portion of long-term debt	26,607	1,280,000	-	-	1,306,607
Accrued interest payable	-	90,570	110,408	-	200,978
Accounts payable and other accrued liabilities	4,358,454	2,448,750	1,149,627	25,507	7,982,338
Salaries and benefits payable	6,830,044	35,020	-	-	6,865,064
Customer deposits	-	501,512	20,679	-	522,191
Unearned revenue	1,055,427	-	73,005	-	1,128,432
Current portion of long-term debt	-	-	11,298,860	38,385	11,337,245
Due to primary government	-	958,984	-	-	958,984
Total current liabilities	12,272,057	5,502,860	12,652,579	63,892	30,491,388
Noncurrent liabilities:					
Derivative instrument liability	-	-	-	-	-
Long-term debt and other liabilities	56,138	36,471,149	38,843,466	1,209,602	76,580,355
Net OPEB liability	31,041,164	269,706	-	34,257	31,345,127
Net pension liability	74,734,000	302,764	-	157,552	75,194,316
Total noncurrent liabilities	105,831,302	37,043,619	38,843,466	1,401,411	183,119,798
Total liabilities	118,103,359	42,546,479	51,496,045	1,465,303	213,611,186
DEFERRED INFLOWS OF RESOURCES					
Future property tax revenue	8,965,210	-	-	-	8,965,210
OPEB related	38,174,769	14,926	-	2,061	38,191,756
Pension related	2,504,000	407,859	-	3,876	2,915,735
Total deferred inflows of resources	49,643,979	422,785	-	5,937	50,072,701
NET POSITION					
Net investment in capital assets	207,624,725	47,278,260	15,052,830	3,575,708	273,531,523
Restricted for:					
Capital projects	-	3,652,251	-	-	3,652,251
Debt service	-	-	2,913,794	-	2,913,794
Other projects	4,275,203	-	-	-	4,275,203
Unrestricted	(85,894,187)	8,250,099	12,089,701	(150,167)	(65,704,554)
Total net position	126,005,741	59,180,610	30,056,325	3,425,541	218,668,217

DISCRETELY PRESENTED COMPONENT UNITS COMBINING STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating		Total Component Units			
		Charges for Services	Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$	\$	\$	\$	\$	\$	
Governmental activities:							
Auburn Board of Education							
Functions/Programs							
Instruction	56,567,311	910,911	37,389,351	263,081	(18,003,968)	-	(18,003,968)
Instructional support	18,910,611	626,016	9,643,525	24,034	(8,617,036)	-	(8,617,036)
Operation and maintenance	8,442,595	82,093	2,497,382	953,592	(4,909,528)	-	(4,909,528)
Auxiliary services							
Student transportation services	4,954,267	87,925	5,023,325	1,639,266	1,796,249	-	1,796,249
Food services	2,811,167	2,041,321	184,923	-	(584,923)	-	(584,923)
General administrative services	2,836,380	1,409	451,713	-	(2,383,258)	-	(2,383,258)
Other	2,041,635	1,131,555	386,282	-	(523,798)	-	(523,798)
Interest and fiscal charges	6,708	-	-	-	(6,708)	-	(6,708)
Total governmental activities	<u>96,570,674</u>	<u>4,881,230</u>	<u>55,576,501</u>	<u>2,879,973</u>	<u>(33,232,970)</u>	<u>-</u>	<u>(33,232,970)</u>
Business-type activities:							
Water Works Board	12,423,667	12,555,759	-	2,749,275	-	2,881,367	2,881,367
Industrial Development Board	5,094,415	4,364,508	-	125,442	-	(604,465)	(604,465)
Public Park & Recreation Board	781,054	73,744	-	-	-	(707,310)	(707,310)
Downtown Redevelopment Authority	12,030	-	-	-	-	(12,030)	(12,030)
Total business-type activities	<u>18,311,166</u>	<u>16,994,011</u>	<u>-</u>	<u>2,874,717</u>	<u>-</u>	<u>1,557,562</u>	<u>1,557,562</u>
Total component units	<u>114,881,840</u>	<u>21,875,241</u>	<u>55,576,501</u>	<u>5,754,690</u>	<u>(33,232,970)</u>	<u>1,557,562</u>	<u>(31,675,408)</u>

General revenues:

Taxes:						
Sales taxes				8,623,889	-	8,623,889
Property taxes				14,824,314	-	14,824,314
Alcoholic beverage taxes				636,164	-	636,164
Other taxes				57,297	-	57,297
Unrestricted appropriations from the City of Auburn				37,801,843	1,156,867	38,958,710
Federal/state aid not restricted				1,760	-	1,760
Interest and investment earnings				345,529	388,719	734,248
Gain (loss) on disposal of assets				24,967	(1,726,755)	(1,701,788)
Investment decrease upon hedge determination				-	(283,500)	(283,500)
Miscellaneous				883,655	552,669	1,436,324
Total general revenues				<u>63,199,418</u>	<u>88,000</u>	<u>63,287,418</u>
Change in net position				<u>29,966,448</u>	<u>1,645,562</u>	<u>31,612,010</u>
Net position - beginning				<u>96,039,293</u>	<u>91,016,914</u>	<u>187,056,207</u>
Net position - ending				<u>126,005,741</u>	<u>92,662,476</u>	<u>218,668,217</u>

DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Major Business-Type Component Units			Total
	Water Works Board	Industrial Development Board	Nonmajor Business-type Component Units	
	\$	\$	\$	\$
Operating revenues				
Lease income	-	4,364,508	-	4,364,508
Water sales and service	12,555,759	-	-	12,555,759
Tennis center revenue	-	-	73,744	73,744
Miscellaneous	337,176	158,672	56,821	552,669
Total operating revenues	12,892,935	4,523,180	130,565	17,546,680
Operating expenses				
Water treatment and pumping expense	3,541,700	-	-	3,541,700
Water distribution expense	1,498,884	-	-	1,498,884
Meter reading expense	835,674	-	-	835,674
Operations administration expense	420,326	-	-	420,326
Utility billing office expense	1,193,375	-	-	1,193,375
General operations expense	799,614	-	-	799,614
Salaries and wages	-	-	220,032	220,032
Employee benefits	-	-	65,393	65,393
Repairs and maintenance	-	407,422	53,100	460,522
Advertising	-	68,059	-	68,059
Utilities	-	177,187	96,928	274,115
Rentals and leasing	-	-	1,498	1,498
Insurance	-	-	6,132	6,132
Minor equipment and tools	-	-	3,423	3,423
Professional services	-	202,441	1,097	203,538
Office supplies	-	14,227	1,568	15,795
Agricultural and chemical supplies	-	-	221	221
Bad debt expense	-	84,405	-	84,405
Depreciation	2,606,055	1,492,028	331,659	4,429,742
Industrial recruitment	-	216,415	-	216,415
Industrial incentives granted	-	70,149	-	70,149
Travel and training	-	23,126	-	23,126
Special events	-	11,184	-	11,184
Workforce development	-	65,484	-	65,484
Miscellaneous	-	17,849	-	17,849
Total operating expenses	10,895,628	2,849,976	781,051	14,526,655
Operating income (loss)	1,997,307	1,673,204	(650,486)	3,020,025
Non-operating revenues (expenses)				
Interest and investment earnings	109,621	267,025	12,073	388,719
Estimated pension earnings	-	-	-	-
Appropriations from the City of Auburn	-	905,000	251,867	1,156,867
Amortization	(114,044)	-	-	(114,044)
Interest and fiscal charges	(1,413,995)	(2,244,439)	(12,033)	(3,670,467)
Capital contribution to the Auburn City Board of Education	-	-	-	-
Investment decrease upon hedge determination	-	(283,500)	-	(283,500)
Gain/(loss) on disposal of assets	23,060	(1,749,815)	-	(1,726,755)
Total non-operating revenues (expenses)	(1,395,358)	(3,105,729)	251,907	(4,249,180)
Income (loss) before capital contributions	601,949	(1,432,525)	(398,579)	(1,229,155)
Capital contributions				
From other governments	-	125,442	-	125,442
From developers	1,046,475	-	-	1,046,475
From access fees	1,702,800	-	-	1,702,800
Total capital contributions	2,749,275	125,442	-	2,874,717
Change in net position	3,351,224	(1,307,083)	(398,579)	1,645,562
Net position - beginning	55,829,386	31,363,408	3,824,120	91,016,914
Net position - ending	59,180,610	30,056,325	3,425,541	92,662,476

GUIDE TO NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Auburn was incorporated February 2, 1839. The City operates under the Council-Manager form of government and provides the following services: public safety (police, fire, emergency communications and codes enforcement), solid waste collection and recycling, recreation, library, planning and zoning, public improvements, sanitary sewer, economic development, and general administrative services.

The accounting policies of the City of Auburn conform to generally accepted accounting principles in the United States of America (GAAP) applicable to municipal governments as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the most significant policies:

- A. **Reporting Entity** - As required by generally accepted accounting principles, the financial statements present the City of Auburn (the primary government) and its component units. The component units include organizations that are financially accountable to the City's executive or legislative branches (the Mayor or the Council, respectively) and other organizations for which the nature and significance of their relationships with the primary government are such that their exclusion could cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the government-wide financial statements include the financial data of the City's six discretely presented component units. These organizations are legally separate from the City and are included in the reporting entity because the primary government is financially accountable for the component unit.

City of Auburn Board of Education (ABOE)

The City Council appoints all members of the Board of Education. The City has assumed an obligation to provide financial support to the ABOE by consistently appropriating large amounts in excess of property taxes legally restricted for school purposes. Furthermore, the City has authority to levy taxes, a function which the Board of Education cannot perform, and issue debt on behalf of the Board of Education. The Board of Education is presented as a governmental fund type or governmental-type activity.

Water Works Board of the City of Auburn (AWWB)

The City Council appoints all members of the Water Works Board. A financial benefit relationship exists between the City and the Water Works Board by virtue of the fact that the City is legally entitled to the Water Board's resources after the Board's indebtedness is retired. In addition, the City and the Water Works Board are parties to an exchange of services agreement which provides that the City will supply management services to the Water Works Board. In exchange, the Water Works Board bills and collects service charges for the City's sewer and solid waste services. The Water Works Board is presented as a proprietary fund type or business-type activity.

City of Auburn Industrial Development Board (IDB)

The City Council appoints all members of the Industrial Development Board and has charged the IDB with conducting the City's industrial development efforts on behalf of the City Council. The IDB acts as an extension of the City Council for achieving the Council's goals to enhance the City's tax base and to provide opportunities for full employment to its citizens. The City's day-to-day industrial development activities are conducted by its Economic Development Department, which is staffed by City employees. The Economic Development Department functions as liaison between the Council and the IDB.

Conveyances of any City-owned real properties to the Industrial Development Board include legally binding restrictive covenants that prohibit the IDB from conveying any land held in the IDB's name without first obtaining the Council's consent in the form of a duly passed City Council resolution. These restrictive covenants are designed to give the City Council ultimate control over the types of businesses that locate in the City's industrial parks.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Council exercises a very active role in the industrial development process because it has such a significant impact on the community's quality of life. The City is the IDB's primary source of operating funds, including funds for acquisition of real property. The City has responsibility for funding deficits and operating deficiencies of the IDB. The Industrial Development Board is presented as a proprietary fund type or business-type activity.

City of Auburn Public Park and Recreation Board (PPRB)

In October of 1990, the Auburn City Council authorized the establishment of a Park and Recreation Board, primarily for the purpose of advising the Council concerning proposed recreation projects and to acquire such recreation facilities as may be deemed to be in the public interest.

All three PPRB members are appointed by the City Council, which maintains a significant degree of control over the PPRB's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the PPRB. The Public Park and Recreation Board is a proprietary fund type or business-type activity.

Commercial Development Authority of the City of Auburn (CDA)

On August 12, 2004, the Commercial Development Authority of the City of Auburn was incorporated. The City Council appoints all members of the CDA and has charged the CDA with conducting the City's commercial development efforts on behalf of the City Council. The CDA acts as a financing conduit to facilitate the recruitment of commercial projects to the City. Daily commercial development activities are conducted by the City's Economic Development Department, and the Department acts as a liaison between the Commercial Development Authority and the City Council.

The City is the CDA's primary source of operating funds. The City has responsibility for funding deficits and operating deficiencies of the CDA and City Council exercises significant influence over the CDA's actions. The Commercial Development Authority of the City of Auburn is presented as a proprietary fund type or business-type activity. The Commercial Development Authority had no activity for the year ending September 30, 2020, and no assets or liabilities as of September 30, 2020.

Auburn Downtown Redevelopment Authority (ADRA)

The Auburn Downtown Redevelopment Authority was incorporated in February of 1985 and all members are appointed by the City Council. It was established in order to aid in the revitalization and improvement of the central downtown business district. The Authority is charged with promoting the public good and general welfare, trade, commerce, industry, and employment opportunities and with creating a climate favorable to the location of new industry, trade and commerce, and the development of existing industry, trade, and commerce.

The City invested funds into the Authority to facilitate the redevelopment of downtown property. The Authority must repay the City, which indicates a financial benefit burden relationship, as the City is legally entitled to the Authority's resources. The Auburn Downtown Redevelopment Authority is presented as a proprietary fund type or business-type activity.

Complete financial statements of the individual component units can be obtained from the following locations or can be requested from the City's Finance Director. The City of Auburn Public Park and Recreation Board, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority do not prepare separately issued financial statements.

City of Auburn Board of Education
855 East Samford Avenue
Auburn, Alabama 36830

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Water Works Board of the City of Auburn
1501 West Samford Avenue
Auburn, Alabama 36832

City of Auburn Industrial Development Board
144 Tichenor Avenue
Auburn, Alabama 36830

RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The following organizations are related organizations that are excluded from the reporting entity:

- Board of Zoning Adjustments
- Building Board of Adjustments
- Cemeteries Advisory Board
- Educational Building Authority
- Green Space Advisory Board
- Historic Preservation Commission
- Library Board
- Parks and Recreation Advisory Board
- Planning Commission
- Tree Commission

JOINT VENTURE

The City is a participant in one joint venture in which it retains an ongoing financial interest and an ongoing financial responsibility.

Indian Pines Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate the Indian Pines Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Recreation Authority to assist in the construction of a new clubhouse. As of September 30, 2020, the City's remaining net investment in the Indian Pines Golf Course is \$503,300, which represents the initial cost of the land capitalized by the City.

The joint venture agreement provided that management decisions shall be made by mutual agreement of the two cities. The cities leased the Indian Pines Golf Course to the Indian Pines Recreation Authority, a jointly governed organization (see discussion below). The lease expired September 30, 1979, but, by a provision in the lease, the Authority continues to operate the golf course on a month-to-month basis with the lease terms continuing in force.

Complete financial statements of the Indian Pines Recreation Authority, Inc. can be obtained from:

Indian Pines Golf Course
900 Country Club Lane
Auburn, Alabama 36830

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with other governments, has created the following organizations that are excluded from the City's reporting entity. These organizations are not joint ventures because the City does not retain an ongoing financial interest or an ongoing financial responsibility.

Indian Pines Recreation Authority

The Authority is a corporation created to operate the Indian Pines Golf Course which is owned under a joint venture agreement between the City of Auburn and the City of Opelika (see above). The Authority has a five-member Board of Directors; two each are selected by the City of Auburn and the City of Opelika and the fifth member is selected by the four members appointed by the cities. A lease agreement between the Authority and the two cities authorizes the Authority to operate and maintain the golf course. The City typically does not provide any funding to the Indian Pines Recreation Authority; however, there have been appropriations in the past. During 2019 and 2020, the City approved funding for the demolition of old tennis courts and the construction of a new skate park. As of September 30, 2019 and 2020, the City had expended approximately \$126,000 and \$281,000, respectively, for those projects.

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2020, is as follows:

Total assets and deferred outflows	
of resources	\$1,940,691
Total liabilities and deferred inflows	
of resources	(366,365)
Total net position	<u>\$1,574,326</u>
Total operating revenues	\$1,311,749
Total operating expenses	(1,196,413)
Other revenues	1,169
Net increase in net position	<u>\$ 116,505</u>

Source: Audit report prepared by HHB

Lee-Russell Council of Governments

The Council of Governments provides transportation services, governmental planning services and services to the aging in Lee and Russell counties, which includes the City of Auburn.

Two of the ten members of the Board of Directors of the Council represent the City of Auburn. Generally, the Mayor and a City Council member appointed by the City Council are Auburn's representatives on the Council of Governments. Other member governing bodies, each having two representatives on the Board, are the City of Opelika, Lee County, the City of Phenix City, and Russell County.

The Council's activities are funded in part by appropriations from its member governmental units. The Auburn City Council controls the amount of Auburn's appropriation to the Council of Governments, but cannot exert significant influence over the Council of Government's financial activities, including approval of the Council of Government's budget, due to a lack of majority representation on the Board of Directors.

While the City of Auburn does not have explicit responsibility for any of the Council of Government's debts, there could be a perception that the City would be morally responsible for 20% of any such debts. There are no special financing arrangements between the City and the Council of Governments.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Metropolitan Planning Organization is part of the Lee-Russell Council of Governments and includes a policy board, citizen advisory committee and a technical advisory committee. The governing bodies who appoint members to the Council of Governments also appoint members to the various Metropolitan Planning Organization committees.

East Alabama Mental Health Center

The Board consists of 33 members, of which three are appointed by the City. The City provides an annual appropriation to the Board; however, the East Alabama Mental Health Center is not dependent on the City's funding.

Lee County Youth Development Center

The City appoints four of the twelve board members of the Center. The City provides an annual appropriation to the Center; however, the Lee County Youth Development Center is not dependent on the City's funding.

East Alabama Medical Center

The Hospital Board consists of nine members, all appointed by the Lee County Commission. Three of these appointments are made based on the recommendation of the City Council. The City provides an annual appropriation to the Center for ambulance service; however, the East Alabama Medical Center is not dependent on the City's funding.

Auburn-Opelika Tourism Bureau

The Mayor appoints one of the five board members of the Bureau. The City appropriates 1/7th of lodging tax collections to the Bureau on a monthly basis; however, the Auburn-Opelika Tourism Bureau is not dependent on the City's funding.

- B. **Basis of Presentation** - The financial transactions of the City are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for or reported in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

Debt Service Funds - The Debt Service Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for capital projects.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUNDS

The Proprietary Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activity. The principal operating revenues for the Sewer Fund, the Solid Waste Management Fund, and discretely presented component units are charges to customers for sales and services. Operating expenses include cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MAJOR FUNDS

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund (See note above).

The Special School Tax Fund, a special revenue fund, accounts for five mill ad valorem tax revenues used to pay principal and interest on bonds issued for school purposes and eleven mill ad valorem tax revenues used in furtherance of education.

The City reports the following major proprietary fund:

The Sewer Fund, a proprietary fund, accounts for revenues and costs related to the provision of sewer services.

- C. **Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements, and the proprietary and component unit fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

Accrual Basis - Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property taxes, sales taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants, and capital grants. The program revenues must be directly associated with the function or a business-type activity. Charges for services include revenues from fines and forfeitures, licenses and permit fees, and special assessment taxes. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Modified Accrual Basis - All of the governmental funds of the primary government are accounted for using the modified accrual basis of accounting. Their revenues are recorded when they are susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City does not accrue property taxes because those revenues are budgeted to finance the fiscal year in which they are scheduled to be received. Each fiscal year's budget and actual financial statements include twelve months' property tax revenue.

The City defines the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days. The specific types of major revenue sources that are susceptible to accrual include sales and use taxes, occupational license fees, lodging taxes, rental and leasing taxes, gasoline taxes and fines.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, with the following exceptions that are in conformity with generally accepted accounting principles: general long-term obligations' principal and interest are reported only when due; inventory costs are reported in the period consumed, rather than in the period purchased; and costs of accumulated unpaid annual and sick leave are reported in the period due and payable rather than in the period earned by employees.

Fiduciary fund financial statements are presented on the accrual basis of accounting and are presented separately from the government wide and the governmental fund financial statements.

D. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental Balance Sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the current period." The details of this \$287,994,550 difference are as follows:

Bonds and warrants payable	\$ 239,259,961
Less: Deferred amount on refunding	(1,737,356)
Add: Issuance premium	11,780,038
Notes payable	2,248,000
Compensated absences	2,695,279
Claims and judgments	807,248
Landfill closure and post-closure care	105,000
Other postemployment benefits	5,467,966
Net pension liability	37,331,719
Less: Deferred outflow pension related	(8,309,753)
Less: Deferred outflow OPEB related	(1,922,523)
Add: Deferred inflow pension related	(2,541)
Add: Deferred inflow OPEB related	271,512
	<hr/>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 287,994,550</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$19,268,909 difference are as follows:

Capital outlay	\$ 26,709,297
Depreciation expense	<u>(7,440,388)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 19,268,909</u>

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position." The details of this \$5,405,349 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources:

Donations from outside parties	\$ 5,467,477
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In the statement of activities, only the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed of:

Remaining cost basis of disposed assets	<u>(62,128)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 5,405,349</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond issue insurance, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$47,901,466 difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ (37,090,000)
General obligation warrants	(30,625,000)
Issue premiums on new debt	(4,771,149)
Less: issue costs	105,000
Principal repayments	9,854,683
Payment to escrow agent for refunding	<u>14,625,000</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (47,901,466)</u>

Another element of that reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$1,636,624 difference are as follows:

Compensated absences	\$ (187,142)
Accrued interest	(593,971)
Claims and judgments	149,426
Landfill closure and post-closure care	7,000
Other post employment benefits	(368,290)
Net pension liability	(1,246,002)
Amortization of deferred amount on refunding	(1,068,929)
Amortization of bond premiums	1,652,639
Amortization of prepaid expenses	<u>18,645</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (1,636,624)</u>

E. **Budgets and Budgetary Accounting** - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2020 fiscal year for the General Fund, Seven-Cent Gas Tax Fund, Four and Five-Cent Gas Tax Fund, Ten-Cent Rebuild Gas Tax Fund, Special School Tax Fund, Municipal Court Judicial Administration Fund, Public Safety Substance Abuse Fund, Special 5-Mill Tax Debt Service Fund, Sewer Revenue fund, and the Solid Waste Management Fund.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for the department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.
8. Excess of expenditures over appropriations: In the General Fund, non-departmental expenditures of \$2,325,991 exceeded appropriations of \$2,112,714.

- F. **Cash and Cash Equivalents** - Cash and cash equivalents of the City of Auburn primary government include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

Cash and cash equivalents of the Board of Education include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents of the Water Works Board include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased. Also included is restricted cash.

Cash and cash equivalents of the Industrial Development Board include cash on hand, demand deposits and all highly liquid investments with an original maturity of three months or less when purchased. Also included is restricted cash.

Cash and cash equivalents of the Public Park and Recreation Board include demand deposits.

- G. **Deposits and Investments** - Deposits and investments of the City of Auburn and its component units are stated at fair value, except for nonnegotiable certificates of deposit with redemption terms that do not consider market rates and money market investments which include short-term, highly liquid debt instruments, which are reported at cost or amortized cost (See Note 3).

State statutes authorize the City and its component units to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; U.S. dollar denominated deposit accounts and certificates of deposit; pre-funded public obligations as defined by state law; and interests in any common trust fund or other collective investment bank, trust company or savings and loan association. The City of Auburn has invested in interest-bearing demand deposits, certificates of deposit and U.S. Treasury notes. The Board of Education's investments include donated equity securities carried at fair market value. The Water Works Board is invested in interest-bearing demand deposits, certificates of deposit and mutual funds comprised of U.S. Treasury securities. The Industrial Development Board has invested in certificates of deposit and interest-bearing demand deposits (see Note 3).

- H. **Restricted Assets** - Certain debt proceeds of the City's enterprise funds and component units, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

- I. **Accounts Receivable** - Revenues receivable are reflected net of an allowance for doubtful accounts. For the General Fund, the Sewer Fund, Solid Waste Management Fund and the Water Works Board component unit, the amount of the allowance is equal to accounts receivable in excess of 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- J. **Inventories** - Inventories of the City of Auburn primary government are valued at first-in/first-out cost and consist of gasoline, parts, and supplies held for consumption. The amount of such inventories is recorded as an asset in the General Fund, Sewer Fund and Solid Waste Management Fund and the cost of inventories is recorded as an expenditure at the time used.

Inventories of the Board of Education are valued at cost, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories of the Water Works Board are valued at cost and consists of expendable supplies held for future consumption or capitalization.

- K. **Capital Assets** - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for software that has a capitalization threshold of \$100,000) and an estimated useful life in excess of two years. Such assets are recorded at actual cost (or estimated historical cost if actual cost is not available) if purchased or constructed. Easements are valued at 50% of the average value for commercial and residential property within the City as obtained from the Lee County Appraisers Office on an annual basis, multiplied by the square footage of the easement. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	25-50
Buildings and improvements	10-50
Communication equipment	5-10
Office equipment	5-10
Heavy equipment	3-10
Vehicles	3-10
Small tools and equipment	3-10
Software	3

- L. **Risk Financing**

CITY OF AUBURN PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, and torts related to municipal operations. These risks are covered by commercial insurance purchased from independent third parties or the City's Liability Risk Retention self-insurance fund. These risks are accounted for in the City's General Fund. The total liability for unpaid claims within the coverage deductible consists of claims reported at the balance sheet date. These estimates are based primarily upon historical trends. There were only minimal changes to insurance coverage from coverage in the prior year. Also, no settlements have exceeded insurance coverage in the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims in the period since the purchase of insurance have not exceeded the commercial insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

The City has chosen to retain the risk of loss for risks associated with its employees' health insurance plan. Premiums are charged to other funds and component units that account for employees eligible for coverage by the plan.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Total premiums allocated to the participating entities are calculated using medical cost trends and claims experience. Employees may also be charged for extended benefits at their option. Medical claims exceeding \$110,000 per covered individual, per year, are covered through a private insurance carrier after satisfaction of a \$125,000 aggregating specific deductible. Liabilities associated with the plan are recorded in the City's Employee Benefit self-insurance fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

The City is a self-insurer under the Alabama Workers' Compensation Law for its workers' compensation exposure. Workers' compensation claims exceeding \$450,000 (\$500,000 for police officers and firefighters) per injury in an accident period are covered through a private insurance carrier. Stop loss coverage is purchased through the General Fund. Liabilities include an amount for claims within the coverage deductible that have been incurred but not reported and are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

COMPONENT UNITS

Board of Education - The ABOE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The ABOE has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The ABOE pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$5.75 million per occurrence and purchases commercial insurance for claims in excess of \$5.75 million. Errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The ABOE purchases commercial insurance for fidelity bonds and its transportation fleet. Settled claims in the past three years have not exceeded the commercial insurance coverage. Also, there have been no significant reductions in insurance coverage from the prior year.

Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The PEEHIP was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The ABOE's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining balance.

The ABOE does not have insurance coverage for job-related injuries. ABOE employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama* 1975, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs that the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustments. The State Board of Adjustments is a state agency with which employees can file claims against the ABOE to collect reimbursement for damages when all other means have been exhausted. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from the state appropriated funds at no cost to the ABOE.

Water Works Board - For risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and general liability torts; the AWWB has purchased commercial insurance from independent third parties. There were only minimal changes to insurance coverage from coverage in the prior year, and no settlements have exceeded insurance coverage in the past three fiscal years.

The Water Works Board employees are covered under the City's health insurance plan. Premiums are charged to the AWWB and are calculated using trends in actual claims experience, along with overall program costs, including third-party administration and reinsurance. Employees may also be charged for additional benefits through supplemental insurance programs. Medical claims exceeding \$110,000 per covered individual, per year, are covered through a private insurance carrier after satisfaction of a \$125,000 aggregating specific deductible.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

To insure against risk of loss relating to workers' compensation claims, the AWWB has purchased workers' compensation insurance from independent third parties.

Industrial Development Board - The IDB is exposed to various risks of loss related to damage to and destruction of assets and errors and omissions. The IDB is a component unit of the City of Auburn and is covered by commercial insurance purchased by the City from independent third parties to cover those types of risks.

There has been no significant reduction in insurance coverage from coverage in the prior year. Also, for the past three fiscal years, no settlements have exceeded insurance coverage.

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. The IDB is covered by this insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The IDB had no liability for unpaid claims at September 30, 2020.

Public Park and Recreation Board - The PPRB is exposed to various risks of loss related to errors and omissions. The PPRB is a component unit of the City of Auburn and is covered by commercial insurance purchased by the City from independent third parties to cover those types of risks.

For risk of loss from claims arising from torts (general liability), the PPRB is covered by the City's commercial insurance purchased from third parties. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The PPRB had no liability for unpaid claims at September 30, 2020. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs related to prepaid insurance, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at issuance, except for those related to prepaid insurance, which are recorded as prepaids in the Statement of Net Position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

Effective September 23, 2003, City employees may accumulate up to twenty days of annual leave. Annual leave is earned at the rate of one day per month and is paid upon separation from City service. Employees with ten years' service receive an additional three days annual leave on their anniversary date and employees with fifteen years' service receive an additional five days annual leave on their anniversary date. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide statements as well as the applicable business-type funds.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

City employees can accumulate an unlimited number of sick leave days. Sick leave is earned at the rate of one day per month or in proportion to the number of hours they work per year, with 8 hours/2080 hours being the basis. Effective April 5, 1994, all new employees may, upon retirement, apply their entire accrued sick leave balance to retirement service credit with the Retirement Systems of Alabama. Except for firefighters, employees hired prior to that date may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their accumulated sick leave. Firefighters hired prior to February 3, 1989, may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their sick leave earned during the first fifteen years of service plus all of their sick leave earned after fifteen years. The City estimates its accrued sick leave liability using the vesting method, whereby the estimated liability is based on the sick leave accumulated at the Balance Sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

COMPONENT UNITS

Board of Education – Non-tenured certified and support personnel are provided two state days and one local personal leave day per year and tenured personnel are provided two state days and three local personal leave days per year. All personnel may choose to convert personal leave days to sick leave days at the end of the school year. Only certified employees may choose to be paid, at the ABOE's substitute rate, for up to two state days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Professional, clerical and office personnel with twelve (12) month positions earn ten (10) days of vacation per year. Because no extra compensation in lieu of vacation is allowed and terminal leave cannot exceed the employee's contract, no liability is recorded on the financial statements.

Certified and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may convert their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the ABOE. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Water Works Board - The AWWB allows employees to accumulate annual and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated annual leave hours at current wage rates. Upon retirement with at least ten years of service, an employee can receive payment of one-half of accumulated sick leave hours if hired before April 5, 1994. All employees may elect to apply unused accumulated sick leave hours toward their retirement.

- O. **Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 14.
- P. **Pensions** - The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.
- Q. **Fund Balance** - The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution, which are equally binding. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has by resolution authorized the Finance Director to assign fund balance. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

The City Council has officially adopted a fund balance policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing sources. This policy has been informally updated, with a goal of maintaining a net ending fund balance in the General fund that is equal to or greater than 20% of total expenditures and other financing sources.

A deficit fund balance of \$832,643 exists in the Parks & Recreation Capital Projects Fund as noted on the combining Balance Sheet of nonmajor governmental funds. The deficit results from capital outlay expenditures included in accounts payable and due to other funds as of September 30, 2020.

R. **Net Position** - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets - represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position - represents liquid assets which have third party (statutory, bond covenant or granting agency) limitations on their use. Certain enterprise funds and component units have assets that are restricted for construction that is being funded with long-term debt and therefore, there are no net restricted assets for these amounts. The City would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.
- Unrestricted net position - represents unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- S. **Interfund Transactions** - Interfund transactions are either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within governmental activities or within business-type activities are eliminated upon consolidation in the government-wide statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Three types of interfund transactions may be accounted for in the affected fund's statements.

1. **Interfund receivables and payables** - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 19.
2. **Interfund advances** - consist of longer-term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. There were no interfund advances outstanding at year end.
3. **Interfund transfers** - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 20.

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as internal activity in the financial statements. Payments to component units are primarily subsidized funding for debt service payments and other recurring operating expenses incurred by the component units.

- T. **Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- U. **Recently Implemented Accounting Pronouncements** - GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City presents one fiduciary activity, the Youth Athletic Association's Private-Purpose Trust Fund. Implementation of this Statement did not materially affect the reporting of this private-purpose trust fund.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will no longer be capitalized in business-type activities or enterprise funds. The City will no longer capitalize construction period interest in its Sewer and Solid Waste Management Funds.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2020, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, the Public Park and Recreation Board, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority are held in a certified qualified public depository, and as such, are deemed fully insured. As of September 30, 2020, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority did not have any deposits.

NOTE 3. DEPOSITS AND INVESTMENTS

Investments of the City consist of certificates of deposit, U.S. Treasury Notes and other investments. The City's deposits are held by a certified qualified public depository under the SAFE program, therefore its deposits are not subject to "custodial credit risk".

A summary of the City's certificates of deposits and investments held as of September 30, 2020, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
<u>Governmental Activities</u>			
Certificates of deposit			
General Fund	\$ 85,969	\$ 85,969	2021
Total certificates of deposit	<u>\$ 85,969</u>	<u>\$ 85,969</u>	
Investments			
U.S. Treasury Notes			
General Fund	\$ 9,610,728	\$ 9,610,728	2020-2022
Special School Tax Fund	2,534,986	2,534,986	2020-2022
Federal Grant Loan Repayment Fund	1,591,342	1,591,342	2020
Industrial Development Revenue Bond	517,904	517,904	2023
Limited Obligation Revenue Bond	1,247,987	1,247,987	2035
Total investments	<u>\$ 15,502,947</u>	<u>\$ 15,502,947</u>	

During fiscal year 2013, the City sold a building to the Industrial Development Board for \$1,800,000. The IDB in turn issued an Industrial Development Revenue Bond to the City in that same amount. The City recognized an investment that will be reduced as payments of \$17,399 are received from the IDB on a monthly basis that commenced on May 1, 2013 and will continue through April 1, 2023, at an interest rate of 3.03% per annum. The balance of the City's investment at September 30, 2020 was \$517,904.

During fiscal year 2015 the City invested \$1,450,000 into the Auburn Downtown Redevelopment Authority to facilitate the redevelopment of downtown property. The City recognized an investment that will be reduced as payments of \$6,126 are received from ADRA on a monthly basis that commenced on December 1, 2015 and will continue through October 1, 2035 at an interest rate of 2.50% per annum. On April 1, 2020, the City agreed to defer nine months of payments through December 2020 totaling \$55,135, which will be added to the final balloon payment on October 1, 2035. That final balloon payment, originally \$300,000, will now be \$355,135 and bears no interest. The balance of the City's investment at September 30, 2020 was \$1,247,987.

The fair value measurements listed in the table above are based upon Level 1 inputs per GASB Statement No. 72, which are defined as quoted prices in active markets for identical assets or liabilities that a government can access at the measurement date.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

COMPONENT UNITS

Board of Education

Investments of the ABOE consist of donated equity securities carried at fair market value. These securities are valued using quoted market prices obtained from the New York Stock Exchange or the NASDAQ (Level 1 inputs).

At September 30, 2020, the Board of Education's restricted cash was composed of the following, all of which are insured through the SAFE Program:

	Carrying Value	Fair Value
Cash - General Fund		
Educational Trust Fund		
Advancement & Technology Fund	\$ 2,195,970	\$ 2,195,970
Advanced Placement - State	3,074	3,074
Fine Arts Initiative	2,799	2,799
Gifted Education	13,111	13,111
Penny Trust Fund	3,315	3,315
Robotics Grant Program	11,176	11,176
Cash - Other Governmental Funds		
Child Nutrition Program	1,952,339	1,952,339
Dental Clinic	122,413	122,413
E-rate	9,988	9,988
Title IV, Part A Safe and Drug	1,395	1,395
Vocational Education	1,059	1,059
	<u>\$ 4,316,639</u>	<u>\$ 4,316,639</u>

Interest Rate Risk – The ABOE does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Water Works Board

At September 30, 2020, the Water Works Board's restricted cash, cash equivalents, and investments were comprised of the following:

	Carrying Value	Fair Value
Cash (Access Fee Account)	\$ 1,649,136	\$ 1,649,136
Pooled investments with City of Auburn (access fees)	263,272	263,272
Regions Bank - Fidelity		
Treasury Only Portfolio	1,739,843	1,739,843
Total restricted cash and investments	<u>\$ 3,652,251</u>	<u>\$ 3,652,251</u>

The Regions Bank - Fidelity Treasury Only Portfolio listed above is an open-end mutual fund comprised of U.S. Treasury securities totaling \$1,739,843. The fair value of the units in the fund equals the carrying value.

Restricted investments are remaining debt proceeds from the Series 2020-A Bonds to be used for construction purposes.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

Interest Rate Risk – The investment policy of the AWWB does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Industrial Development Board

At September 30, 2020, the Industrial Development Board's investments were comprised of the following:

<u>Restricted cash</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (SAFE deposit)		
Restricted for debt service	<u>\$ 3,065,922</u>	<u>\$ 3,065,922</u>

The restricted cash is held by a certified qualified public depository under the SAFE program. Cash restricted for debt service is restricted to payment of debt service by the terms of a bond indenture. Cash restricted for capital projects is restricted to the payment of construction costs.

<u>Unrestricted investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificate of deposit		
AuburnBank, 0.05%, maturity date February 24, 2021	<u>\$ 59,436</u>	<u>\$ 59,436</u>

The above certificate of deposit is held in a certified qualified public depository and is entirely insured.

Interest Rate Risk – The IDB does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4. DERIVATIVE INSTRUMENTS

COMPONENT UNIT

Industrial Development Board

In 2006, the IDB obtained a pay-fixed, receive-variable hedging derivative instrument. The objective was to hedge cash flows on the IDB's variable rate 2006-A Taxable Industrial Development Refunding and Improvement Bonds. The notional amount of the swap was equal to the principal amount of the outstanding bonds, which declined as principal payments were made on the bonds. Under the terms of the swap, the IDB paid the counterparty a fixed payment of 5.87% on the notional amount, and received a variable payment in return based on the one-month U.S. dollar London Interbank Offered Rate (LIBOR). The variable rate on the bonds is reset weekly by auction.

In August 2020, the IDB elected to terminate the swap prior to its stated maturity date of July 1, 2022. The fair value balance and notional amount of the IDB's derivative instrument outstanding at August 31, 2020 (the termination date), and the change in its fair value for the period then ended as reported in the fiscal year 2020 financial statements were as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at 8/31/20</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Cash flow hedge:					
Pay fixed interest					
rate swap	Deferred outflow	<u>\$ (53,280)</u>	Long term liability	<u>\$ 283,500</u>	<u>\$ 2,780,000</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 4. DERIVATIVE INSTRUMENTS - CONTINUED

At termination, the remaining deferred outflows of \$283,500 were recognized as a loss on investment in the Statement of Revenues, Expenses and Changes in Net Position.

The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

NOTE 5. ACCOUNTS RECEIVABLE

Receivables as of year-end for the government's individual major funds and aggregate nonmajor funds and component units, including applicable allowances for uncollectible accounts are as follows:

	General Fund	Special School Tax Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:							
Revenues receivable	\$12,056,310	\$135,605	\$ 285,026	\$1,582,147	\$681,663	\$2,103,839	\$16,844,590
Grants receivable	-	-	1,116,244	763	16,050	-	1,133,057
Receivable from other governmental units	1,118,048	-	-	-	-	-	1,118,048
Other receivables	<u>803,489</u>	<u>12,650</u>	<u>9,147</u>	<u>201,331</u>	<u>50</u>	<u>206,508</u>	<u>1,233,175</u>
Gross receivables	13,977,847	148,255	1,410,417	1,784,241	697,763	2,310,347	20,328,870
Less: allowance for uncollectibles	<u>(2,569,138)</u>	<u>-</u>	<u>(184,517)</u>	<u>(162,323)</u>	<u>(68,806)</u>	<u>(136,058)</u>	<u>(3,120,842)</u>
Net receivables	<u>\$11,408,709</u>	<u>\$148,255</u>	<u>\$ 1,225,900</u>	<u>\$1,621,918</u>	<u>\$628,957</u>	<u>\$2,174,289</u>	<u>\$17,208,028</u>

NOTE 6. MORTGAGES AND NOTES RECEIVABLE

CITY OF AUBURN PRIMARY GOVERNMENT

On December 19, 2012, the City entered into a loan agreement with the Lee County Humane Society. The loan provides permanent financing in the amount of \$175,250, for a new spay and neuter clinic that was added to existing facilities. The terms of the note include monthly payments for a period of ten years at a fixed interest rate of 3.50%. Principal and interest payments totaling \$1,733 are due in 120 equal monthly installments beginning February 2013.

The balance of the notes receivable at September 30, 2020 was \$46,530 and is presented in the financial statements as advances to other agencies. Future payments due under the loan is as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 19,478	\$ 1,318	\$ 20,796
2022	20,170	626	20,796
2023	<u>6,882</u>	<u>44</u>	<u>6,926</u>
	<u>\$ 46,530</u>	<u>\$ 1,988</u>	<u>\$ 48,518</u>

For information regarding mortgages receivable of the Federal Grant Loan Repayment Fund, see Note 11.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 6. MORTGAGES AND NOTES RECEIVABLE - CONTINUED

COMPONENT UNITS

Industrial Development Board

Notes receivable consist of the following as of September 30, 2020:

	Balance 10/01/2019	Additions	Reductions	Balance 09/30/2020	Due Within One Year
Notes receivable - other	\$ 18,020	\$ -	\$ (8,971)	\$ 9,049	\$ 9,049

Notes Receivable

In September 2015, the IDB made a loan to a new business in Auburn. The loan bears interest at 1.50%. Monthly payments of principal and interest are due beginning October 1, 2015 and continuing until September 1, 2020 at which time the loan matures. During fiscal year 2020, the IDB granted a deferral of payments due on the loan until January 1, 2021. All other terms of the loan remain in effect. The loan is secured by a personal guaranty from each owner of the business.

NOTE 7. PROPERTY FOR RESALE

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2003, the City purchased seven outparcels of land for future mall expansion totaling \$4,131,127. One of the lots has been leased to Lee County for \$1 per year for 10 years beginning May 2007. The County extended the lease in May 2017 for an additional five-year term. The County can extend the lease for one additional five-year term with written notice. The County constructed the satellite office of the Lee County Courthouse on this site.

COMPONENT UNITS

Industrial Development Board

The following is a schedule of changes in property for resale for the year ended September 30, 2020:

	Balance 10/1/2019	Additions	Reclassi- fications	Disposals	Balance 9/30/2020
Land and buildings	\$ 3,856,081	\$ -	\$ -	\$ -	\$ 3,856,081
Improvements					
in progress	4,430,102	60,682	-	-	4,490,784
Total property					
held for resale	\$ 8,286,183	\$ 60,682	\$ -	\$ -	\$ 8,346,865

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 8. PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1 and are due and payable between October 1 and December 31. The County bills and collects the taxes and remits them semimonthly to the City of Auburn. The City currently levies taxes of \$2.60 per \$100 assessed valuation for governmental purposes - \$.50 for general governmental services, \$.50 for payment of principal and interest on outstanding bonds of the municipality, \$.50 for school purposes and \$1.10 for the support and furtherance of education. The tax rates are applied to 10% of the appraised value of residential property, also called assessed value. The tax rates are also applied to commercial property at 20%, utility property at 30% and vehicles at 15%.

A description of property class groups is included in the chart below. Property is assessed based on these classifications.

Class	Description	Assessment Percent
I	All property of utilities used in the business of such utilities	30%
II	All property not otherwise classified	20%
III	All agricultural, forest, and single family, owner occupied residential property, including owner occupied residential manufactured homes located on land owned by the manufactured home owner, and historic buildings and sites	10%
IV	All private passenger automobiles and motor trucks of the type commonly known as "pickups" or "pickup trucks" owned and operated by an individual for personal or private use and not for hire, rent, or compensation	15%

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 9. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the City's governmental activities for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 25,081,713	\$ 682,863	\$ -	\$ 25,764,576
Construction in progress	47,396,495	24,344,592	(21,509,114)	50,231,973
Total capital assets, not being depreciated	<u>72,478,208</u>	<u>25,027,455</u>	<u>(21,509,114)</u>	<u>75,996,549</u>
Capital assets, being depreciated:				
Buildings and improvements	53,825,914	2,186,209	(778)	56,011,345
Heavy equipment	4,006,562	385,904	(309,069)	4,083,397
Office equipment	5,681,150	451,709	-	6,132,859
Small tools and equipment	1,910,682	538,626	(81,683)	2,367,625
Vehicles	10,566,549	940,725	(358,457)	11,148,817
Infrastructure	206,089,924	24,155,262	-	230,245,186
Total capital assets, being depreciated	<u>282,080,781</u>	<u>28,658,435</u>	<u>(749,987)</u>	<u>309,989,229</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,101,655)	(1,686,852)	359	(21,788,148)
Heavy equipment	(2,408,143)	(296,937)	263,360	(2,441,720)
Office equipment	(4,029,557)	(496,118)	-	(4,525,675)
Small tools and equipment	(1,574,836)	(225,350)	81,682	(1,718,504)
Vehicles	(7,794,659)	(995,450)	342,456	(8,447,653)
Infrastructure	(80,037,942)	(3,739,681)	-	(83,777,623)
Total accumulated depreciation	<u>(115,946,792)</u>	<u>(7,440,388)</u>	<u>687,857</u>	<u>(122,699,323)</u>
Total capital assets, being depreciated, net	<u>166,133,989</u>	<u>21,218,047</u>	<u>(62,130)</u>	<u>187,289,906</u>
Governmental activities capital assets, net	<u>\$ 238,612,197</u>	<u>\$ 46,245,502</u>	<u>\$ (21,571,244)</u>	<u>\$ 263,286,455</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 9. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2020
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	326,405	2,498,739	(95,985)	2,729,159
Total capital assets, not being depreciated	<u>491,031</u>	<u>2,498,739</u>	<u>(95,985)</u>	<u>2,893,785</u>
Capital assets, being depreciated:				
Buildings and improvements	22,797,029	-	-	22,797,029
Sewage plants and lines	79,384,538	1,447,571	(111,500)	80,720,609
Machinery and equipment	4,798,725	350,176	(99,186)	5,049,715
Small tools and equipment	7,200	-	-	7,200
Vehicles	6,614,072	29,226	(100,061)	6,543,237
Total capital assets, being depreciated	<u>113,601,564</u>	<u>1,826,973</u>	<u>(310,747)</u>	<u>115,117,790</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,032,353)	(701,467)	-	(6,733,820)
Sewage plants and lines	(20,816,524)	(1,587,949)	111,500	(22,292,974)
Machinery and equipment	(2,271,465)	(487,112)	99,186	(2,659,391)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	(4,144,971)	(707,484)	96,561	(4,755,894)
Total accumulated depreciation	<u>(33,272,513)</u>	<u>(3,484,013)</u>	<u>307,247</u>	<u>(36,449,279)</u>
Total capital assets, being depreciated, net	<u>80,329,051</u>	<u>(1,657,040)</u>	<u>(3,500)</u>	<u>78,668,511</u>
Business-type activities capital assets, net	<u>\$ 80,820,082</u>	<u>\$ 841,699</u>	<u>\$ (99,485)</u>	<u>\$ 81,562,296</u>

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

Governmental activities:	
General government and administration	\$ 474,665
Public works	4,138,407
Environmental services	54,879
Public safety	1,037,882
Library	156,838
Parks and recreation	1,130,587
Development services	363,747
Social and economic development	2,962
Employee services	80,421
Total depreciation expense - governmental activities	<u>\$ 7,440,388</u>
Business-type activities:	
Sewer revenue fund	\$ 2,907,430
Solid waste management fund	576,583
Total depreciation expense - business-type activities	<u>\$ 3,484,013</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 9. CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

Board of Education

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,274,033	\$ 1,203,506	\$ -	\$ 13,477,539
Construction in progress	7,386,850	26,661,200	(1,438,672)	32,609,378
Total capital assets, not being depreciated	<u>19,660,883</u>	<u>27,864,706</u>	<u>(1,438,672)</u>	<u>46,086,917</u>
Capital assets, being depreciated:				
Land improvements	5,669,367	213,648	(53,608)	5,829,407
Buildings and improvements	199,991,282	1,514,067	-	201,505,349
Furniture, equipment and vehicles	14,273,120	1,193,232	(333,684)	15,132,668
Total capital assets, being depreciated	<u>219,933,769</u>	<u>2,920,947</u>	<u>(387,292)</u>	<u>222,467,424</u>
Less accumulated depreciation for:				
Land improvements	(3,495,604)	(158,195)	53,608	(3,600,191)
Buildings and improvements	(43,306,285)	(4,524,593)	-	(47,830,878)
Furniture, equipment and vehicles	(8,671,635)	(1,077,851)	333,684	(9,415,802)
Total accumulated depreciation	<u>(55,473,524)</u>	<u>(5,760,639)</u>	<u>387,292</u>	<u>(60,846,871)</u>
Total capital assets, being depreciated, net	<u>164,460,245</u>	<u>(2,839,692)</u>	<u>-</u>	<u>161,620,553</u>
Total governmental activities capital assets, net	<u>\$ 184,121,128</u>	<u>\$ 25,025,014</u>	<u>\$ (1,438,672)</u>	<u>\$ 207,707,470</u>

Depreciation expense was charged to governmental functions/programs as follows:

Governmental activities:	
Instruction	\$ 4,745,536
Instructional support	81,624
Operation and maintenance	84,244
Auxiliary services	
Student transportation services	801,223
Food services	44,287
General administrative services	3,725
Total depreciation expense - governmental activities	<u>\$ 5,760,639</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 9. CAPITAL ASSETS - CONTINUED

Water Works Board

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2020
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,630,745	\$ -	\$ -	\$ 1,630,745
Construction in progress	1,759,978	7,924,712	(1,190,160)	8,494,530
Total capital assets, not being depreciated	<u>3,390,723</u>	<u>7,924,712</u>	<u>(1,190,160)</u>	<u>10,125,275</u>
Capital assets, being depreciated:				
Utility system and plant	97,401,146	1,568,870	(492,258)	98,477,758
Buildings and improvements	7,158,693	663,742	-	7,822,435
Vehicles	936,021	274,258	(72,803)	1,137,476
Machinery, equipment and tools	1,259,581	97,790	(40,533)	1,316,838
Office equipment	749,035	42,656	-	791,691
Total capital assets, being depreciated	<u>107,504,476</u>	<u>2,647,316</u>	<u>(605,594)</u>	<u>109,546,198</u>
Less accumulated depreciation for:				
Utility system and plant	(29,229,294)	(2,048,062)	483,555	(30,793,801)
Buildings and improvements	(3,320,799)	(288,812)	-	(3,609,611)
Vehicles	(668,250)	(123,643)	72,803	(719,090)
Machinery, equipment and tools	(787,185)	(93,388)	40,533	(840,040)
Office equipment	(604,467)	(52,150)	-	(656,617)
Total accumulated depreciation	<u>(34,609,995)</u>	<u>(2,606,055)</u>	<u>596,891</u>	<u>(36,619,159)</u>
Total capital assets, being depreciated, net	<u>72,894,481</u>	<u>41,261</u>	<u>(8,703)</u>	<u>72,927,039</u>
Business-type activity capital assets, net	<u>\$76,285,204</u>	<u>\$ 7,965,973</u>	<u>\$(1,198,863)</u>	<u>\$ 83,052,314</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 9. CAPITAL ASSETS - CONTINUED

Industrial Development Board

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Additions	Retirements/ Reclassifications	Balance 9/30/2020
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 7,677,776	\$ 26,494	\$ (1,569,117)	\$ 6,135,153
Construction in progress	<u>2,159,960</u>	<u>4,765,823</u>	<u>(3,593,803)</u>	<u>3,331,980</u>
Total capital assets, not being depreciated	<u>9,837,736</u>	<u>4,792,317</u>	<u>(5,162,920)</u>	<u>9,467,133</u>
Capital assets, being depreciated:				
Buildings	62,140,708	1,690,622	(17,480,551)	46,350,779
Building improvements	3,250,700	92,619	(207,727)	3,135,592
Land improvements	1,834,801	5,577	(111,522)	1,728,856
Equipment	746,921	497,183	(86,206)	1,157,898
Vehicles	<u>172,615</u>	<u>-</u>	<u>-</u>	<u>172,615</u>
Total capital assets, being depreciated	<u>68,145,745</u>	<u>2,286,001</u>	<u>(17,886,006)</u>	<u>52,545,740</u>
Accumulated depreciation				
Buildings	(12,137,634)	(1,205,992)	2,017,101	(11,326,525)
Building improvements	(743,573)	(80,412)	70,118	(753,867)
Land improvements	(862,997)	(62,102)	5,886	(919,213)
Equipment	(536,584)	(121,122)	8,621	(649,085)
Vehicles	<u>(123,838)</u>	<u>(22,400)</u>	<u>-</u>	<u>(146,238)</u>
Total accumulated depreciation	<u>(14,404,626)</u>	<u>(1,492,028)</u>	<u>2,101,726</u>	<u>(13,794,928)</u>
Total capital assets, being depreciated, net	<u>53,741,119</u>	<u>793,973</u>	<u>(15,784,280)</u>	<u>38,750,812</u>
Total capital assets, net	<u>\$ 63,578,855</u>	<u>\$ 5,586,290</u>	<u>\$ (20,947,200)</u>	<u>\$ 48,217,945</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 9. CAPITAL ASSETS - CONTINUED

Public Park and Recreation Board

Capital asset activity for the year ended September 30, 2020 was as follows:

	<u>Balance 10/1/2019</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2020</u>
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$7,430,636	\$ 8,700	\$ -	\$7,439,336
Machinery and equipment	62,550	-	-	62,550
Vehicles	<u>55,252</u>	<u>-</u>	<u>-</u>	<u>55,252</u>
Total capital assets, being depreciated	<u>7,548,438</u>	<u>8,700</u>	<u>-</u>	<u>7,557,138</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,549,194)	(326,076)	-	(3,875,270)
Machinery and equipment	(53,712)	(3,753)	-	(57,465)
Vehicles	<u>(46,865)</u>	<u>(1,830)</u>	<u>-</u>	<u>(48,695)</u>
Total accumulated depreciation	<u>(3,649,771)</u>	<u>(331,659)</u>	<u>-</u>	<u>(3,981,430)</u>
Business-type activity capital assets, net	<u><u>\$3,898,667</u></u>	<u><u>\$(322,959)</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,575,708</u></u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES

CITY OF AUBURN PRIMARY GOVERNMENT

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 83,410,000	\$ 37,090,000	\$ (1,995,000)	\$ 118,505,000	\$ 3,390,000
General obligation warrants	68,980,000	-	(16,105,000)	52,875,000	1,655,000
General obligation warrants from direct placements	43,454,644	30,625,000	(6,199,683)	67,879,961	6,856,142
Add: bond issue premiums	<u>8,661,527</u>	<u>4,771,149</u>	<u>(1,652,638)</u>	<u>11,780,038</u>	<u>-</u>
Total bonds and warrants payable	204,506,171	72,486,149	(25,952,321)	251,039,999	11,901,142
Notes payable	2,428,000	-	(180,000)	2,248,000	179,000
Accumulated annual leave	2,508,138	368,636	(181,495)	2,695,279	149,542
Claims payable	1,032,970	151,998	(377,720)	807,248	87,970
Landfill closure and postclosure care liability	112,000	-	(7,000)	105,000	7,000
Other postemployment benefits liability	3,345,160	2,122,806	-	5,467,966	-
Net pension liability	<u>32,608,222</u>	<u>4,723,497</u>	<u>-</u>	<u>37,331,719</u>	<u>-</u>
Governmental activities long-term liabilities	<u>246,540,661</u>	<u>79,853,086</u>	<u>(26,698,536)</u>	<u>299,695,211</u>	<u>12,324,654</u>
Business-type activities:					
General obligation warrants payable:					
Warrants payable	22,930,000	-	(1,115,000)	21,815,000	1,170,000
Warrants payable from direct placements	9,652,000	-	(1,821,000)	7,831,000	1,874,000
Add: warrant issue premiums	<u>2,559,548</u>	<u>-</u>	<u>(184,634)</u>	<u>2,374,914</u>	<u>-</u>
Total warrants payable	35,141,548	-	(3,120,634)	32,020,914	3,044,000
Accumulated annual leave	141,879	23,812	(10,304)	155,387	9,323
Other postemployment benefits liability	338,341	234,519	-	572,860	-
Net pension liability	<u>2,373,490</u>	<u>348,611</u>	<u>-</u>	<u>2,722,101</u>	<u>-</u>
Business-type activities long-term liabilities	<u>37,995,258</u>	<u>606,942</u>	<u>(3,130,938)</u>	<u>35,471,262</u>	<u>3,053,323</u>
Total primary government long-term liabilities	<u>\$ 284,535,919</u>	<u>\$ 80,460,028</u>	<u>\$ (29,829,474)</u>	<u>\$ 335,166,473</u>	<u>\$ 15,377,977</u>

For the governmental activities, accumulated annual leave, claims payable, landfill closure and post closure care liabilities, and the other postemployment benefits liabilities are generally paid by the General Fund.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2020 are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2020	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds, Dated 07.01.2009 (’09 Capital Projects)	2%-4%	5/1-11/1	Full faith credit and taxing power of the City of Auburn	\$ 9,000,000	\$ 930,000	2021
General obligation bonds, Dated 05.01.2012 (’12 Capital Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,000,000	1,605,000	2024
General obligation refunding bonds, Dated 08.01.2021 (Refund ’98, ’99, ’02, and ’05 bonds) (’98 bonds - S. College Imp.; ’99 bonds - Library, Watson Complex; ’02 bonds - Soccer, Town Creek; ’05 bonds - ’05 Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	6,180,000	260,000	2021
General obligation refunding bonds, Dated 10.28.2014 (Partially refund ’07 bonds)	2%-4%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	2,510,000	475,000	2021
General obligation bonds, Dated 06.23.2015 (New High School and School Capital Improvements)	2.25%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	78,145,000	78,145,000	2045
General obligation bonds, Dated 10.17.2019 (New School)	3%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	<u>37,090,000</u>	<u>37,090,000</u>	2049
Total bonds payable				<u>136,925,000</u>	<u>118,505,000</u>	
Notes Payable:						
Note payable, U. S. Dept of Housing and Urban Development, Dated 03.27.2012 (Loan Guarantee Assistance)	LIBOR+ 0.2%	Monthly	Section 108 Loan Program Fund	<u>3,312,000</u>	<u>2,248,000</u>	2034

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2020	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants Dated 09.22.2016 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	1,447,112	2026
General obligation warrants Dated 07.27.2010 (Refund IDB '04-A Bonds)	4.84%	Monthly	Full faith credit and taxing power of the City of Auburn	10,275,000	3,617,475	2024
General obligation warrants Dated 08.20.2010 (Purch Bldg - 155 AL St.)	3.03%	Monthly	Full faith credit and taxing power of the City of Auburn	1,870,000	360,984	2022
General obligation school warrants Dated 02.22.2012 (Pick elementary school and land)	2.78%	Monthly	Special School Tax Fund ad valorem taxes	18,500,000	11,774,694	2032
General obligation warrants Dated 09.07.2012 (Cary Creek Perm. Financing)	1.86%	3/1-9/1	Full faith credit and taxing power of the City of Auburn	1,829,100	365,820	2022
General obligation refunding school warrants Dated 08.01.2012 (partially refund '05 warrants - school)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,080,000	13,370,000	2030
General obligation warrants Dated 11.09.2012 (West Tech Park - Phase II)	1.72%	Monthly	Full faith credit and taxing power of the City of Auburn	5,525,000	1,278,942	2022
General obligation warrants Dated 10.28.2014 (partially refund '05 warrants - school)	1% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	10,240,000	9,990,000	2035
General obligation school warrants Dated 08.04.2017 (New Elementary School)	2.58%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,000,000	15,848,457	2037
General obligation warrants Dated 05.08.2018 (New Public Safety Complex & Other Improvements)	2% - 5%	5/1-11/1	Full faith credit and taxing power of the City of Auburn	30,610,000	29,515,000	2048

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2020	Year of Final Principal Maturity
General obligation warrants						
Dated 12.11.2018 (Refund '08 warrants) (Auburn HS renovations)	3.01%	Monthly	Special School Tax Fund ad valorem taxes	5,259,668	4,396,477	2028
General obligation refunding school warrants, Dated 03.10.2020 (Refund '10-A School Warrants)	1.56%	2/1-8/1	Special School Tax Fund ad valorem taxes	14,625,000	12,790,000	2026
General obligation warrants						
Dated 7/27/20 (New parking deck and other capital improvements)	2.30%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	16,000,000	16,000,000	2040
Total warrants payable				149,254,100	120,754,961	
Total governmental activity bonds, notes, and warrants payable				289,491,100	241,507,961	
Business-type activities:						
Warrants payable:						
General obligation warrants						
Dated 08.01.2012(Refund '01 warrants; Sewer Capital Projects) ('01 warrants - sewer plant and expansion)	2% - 5%	2/1-8/1	Sewer Fund	10,030,000	3,780,000	2032
General obligation warrants						
Dated 10.28.2014 (Partial refund '08 warrants)	3%-5%	6/1-12/1	Sewer Fund	19,240,000	18,035,000	2033
General obligation warrants						
Dated 12/11/18 (Refund '09 warrants)	2.72%	1/1-7/1	Sewer Fund	9,652,000	7,831,000	2024
Total business type activity warrants payable				38,922,000	29,646,000	
Total bonds, notes, and warrants payable				\$ 328,413,100	\$ 271,153,961	

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds, notes, and warrants payable of the City of Auburn at September 30, 2020:

Fiscal Year	Total Annual Requirements			Governmental Activity			Business-type Activity		
				Bonds, Notes, and Warrants Payable			Warrants Payable		
	Principal	Interest	Total	Principal	Interest	Total Requirements	Principal	Interest	Total
2021	\$ 15,124,142	\$ 10,180,920	\$ 25,305,062	\$ 12,080,142	\$ 9,041,834	\$ 21,121,976	\$ 3,044,000	\$ 1,139,086	\$ 4,183,086
2022	13,604,196	9,696,465	23,300,661	10,444,196	8,668,739	19,112,935	3,160,000	1,027,726	4,187,726
2023	13,853,351	9,249,265	23,102,616	10,571,351	8,337,685	18,909,036	3,282,000	911,580	4,193,580
2024	14,090,569	8,762,141	22,852,710	10,690,569	7,971,328	18,661,897	3,400,000	790,813	4,190,813
2025	11,027,552	8,313,632	19,341,184	9,597,552	7,619,938	17,217,490	1,430,000	693,694	2,123,694
2026	12,709,623	7,913,849	20,623,472	11,209,623	7,293,155	18,502,778	1,500,000	620,694	2,120,694
2027	10,603,516	7,433,824	18,037,340	9,028,516	6,889,630	15,918,146	1,575,000	544,194	2,119,194
2028	10,853,869	6,980,988	17,834,857	9,193,869	6,517,169	15,711,038	1,660,000	463,819	2,123,819
2029	10,783,915	6,522,697	17,306,612	9,043,915	6,143,503	15,187,418	1,740,000	379,194	2,119,194
2030	11,143,032	6,104,921	17,247,953	9,338,032	5,792,602	15,130,634	1,805,000	312,319	2,117,319
2031	11,604,645	5,737,337	17,341,982	9,744,645	5,479,843	15,224,488	1,860,000	257,494	2,117,494
2032	11,191,058	5,375,959	16,567,017	9,271,058	5,176,444	14,447,502	1,920,000	199,515	2,119,515
2033	10,678,266	4,979,316	15,657,582	9,083,266	4,855,691	13,938,957	1,595,000	123,625	1,718,625
2034	11,070,692	4,535,778	15,606,470	9,395,692	4,493,903	13,889,595	1,675,000	41,875	1,716,875
2035	9,692,799	4,084,061	13,776,860	9,692,799	4,084,061	13,776,860			
2036	7,872,607	3,694,256	11,566,863	7,872,607	3,694,256	11,566,863			
2037	8,174,129	3,395,332	11,569,461	8,174,129	3,395,332	11,569,461			
2038	7,323,000	3,082,682	10,405,682	7,323,000	3,082,682	10,405,682			
2039	7,612,000	2,786,038	10,398,038	7,612,000	2,786,038	10,398,038			
2040	7,921,000	2,475,592	10,396,592	7,921,000	2,475,592	10,396,592			
2041	7,220,000	2,150,306	9,370,306	7,220,000	2,150,306	9,370,306			
2042	7,530,000	1,846,956	9,376,956	7,530,000	1,846,956	9,376,956			
2043	7,850,000	1,530,556	9,380,556	7,850,000	1,530,556	9,380,556			
2044	8,195,000	1,200,556	9,395,556	8,195,000	1,200,556	9,395,556			
2045	8,530,000	877,150	9,407,150	8,530,000	877,150	9,407,150			
2046	3,455,000	540,550	3,995,550	3,455,000	540,550	3,995,550			
2047	3,585,000	407,175	3,992,175	3,585,000	407,175	3,992,175			
2048	3,725,000	268,625	3,993,625	3,725,000	268,625	3,993,625			
2049	2,025,000	124,700	2,149,700	2,025,000	124,700	2,149,700			
2050	2,105,000	42,100	2,147,100	2,105,000	42,100	2,147,100			
Total	\$ 271,153,961	\$ 130,293,727	\$ 401,447,688	\$ 241,507,961	\$ 122,788,099	\$ 364,296,060	\$ 29,646,000	\$ 7,505,628	\$ 37,151,628

In the current year and prior years, the government defeased various general obligation bonds and warrants by placing the proceeds of the new bonds or warrants in an irrevocable trust account to provide for all future debt service payments on the old bonds and warrants. Accordingly, the trust account assets and the liabilities for the defeased bonds and warrants are not included in the government's financial statements. At September 30, 2020, \$54,025,000 of defeased bonds and warrants remain outstanding.

On October 17, 2019, the City issued its \$37,090,000 General Obligation Bonds for the purpose of acquiring real property for public school purposes; demolishing, renovating and expanding portions of existing public school facilities; making public roadway improvements and site improvements for public school purposes; designing, acquiring, providing, equipping, constructing and financing public school facilities; and paying the costs of various other public capital improvements, equipment and assets for public school and related purposes. The Bonds bear interest at rates from 3.0% to 5.0%, payable semiannually beginning May 2020 and continuing through November of 2049. Principal payments are due annually beginning November 2020 and continuing through November 2049.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

On March 10, 2020, the City issued its \$14,625,000 General Obligation Series 2020-A Warrants with an average interest rate of 1.56% to refund \$14,520,000 of outstanding 2010-A General Obligation Warrants with interest rates ranging from 4.0% to 5.0% maturing in 2020 through 2026. The net proceeds were used to fully redeem the 2010-A Warrants. The refunding resulted in a \$105,000 difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported as a deduction from warrants payable, is being charged to operations through the year 2026 using the straight-line method. The City completed the current refunding to reduce its total debt service payments over the next six years by \$1,496,987 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,426,717.

On July 27, 2020, the City issued its \$16,000,000 General Obligation Series 2020-B Warrants. The net proceeds of \$15,971,500 (after payment of \$28,500 in issuance costs) will be used to finance the costs of designing, developing, acquiring, constructing and equipping a new public parking deck and other public capital improvements within the City. The Warrants bear interest at a rate of 2.3%. Principal and interest payments are due semiannually beginning February 2021 and continuing through August of 2040.

COMPONENT UNITS

Water Works Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010	\$15,090,000	\$ -	\$(15,090,000)	\$ -	\$ -
Bonds payable - 2015	16,520,000	-	(16,520,000)	-	-
Bonds payable - 2020A	-	16,860,000	(260,000)	16,600,000	1,080,000
Bonds payable - 2020B	-	18,475,000	(50,000)	18,425,000	200,000
Premiums on bonds	1,882,028	2,728,039	(1,950,229)	2,659,838	-
	<u>33,492,028</u>	<u>38,063,039</u>	<u>(33,870,229)</u>	<u>37,684,838</u>	<u>1,280,000</u>
Accumulated annual leave	64,920	5,320	(3,929)	66,311	-
Other postemployment benefits liability	148,403	121,303	-	269,706	-
Net pension liability	140,461	162,303	-	302,764	-
	<u>353,784</u>	<u>288,926</u>	<u>(3,929)</u>	<u>638,781</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$33,845,812</u>	<u>\$38,351,965</u>	<u>\$(33,874,158)</u>	<u>\$38,323,619</u>	<u>\$1,280,000</u>

Bonds payable at September 30, 2020, are comprised of an original bond issue of \$16,860,000 dated March 26, 2020 known as the Series 2020-A Water Revenue Bonds and an original bond issue of \$18,475,000 dated March 26, 2020 known as the Series 2020-B Taxable Water Revenue Bonds.

The proceeds of the Series 2020-A Bonds, including an original issue premium of \$2,728,039, were issued for the purpose of paying the costs of certain public capital improvements to the System totaling \$5,800,000, redeeming and retiring \$13,604,140 of the Board's Series 2010 Bonds, and paying issuance costs of \$183,899. The 2020-A bonds were issued at interest rates ranging from 2.125% to 4.0%. The stated maturity dates of the 2020-A bonds are September 1 beginning in 2020 and continuing through 2039.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

The proceeds of the Series 2020-B Bonds were issued for the purpose of redeeming and retiring \$18,278,845 of the Board's Series 2015 Bonds and to pay issuance costs of \$196,155. The 2020-B bonds were issued at interest rates ranging from 1.388% to 2.98%. The stated maturity dates of the 2020-B bonds are September 1 beginning in 2020 and continuing through 2040.

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2020, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2020	Year of Final Principal Maturity
Business type activities						
Bonds payable:						
Series 2020-A Bonds, Dated 03/26/2020	2.125% to 4.0%	3/1-9/1	Revenues	\$16,860,000	\$ 16,600,000	2039
Series 2020-B Bonds, Dated 03/26/2020	1.388% to 2.98%	3/1-9/1	Revenues	<u>18,475,000</u>	<u>18,425,000</u>	2040
Total bonds payable				<u>\$35,335,000</u>	<u>\$ 35,025,000</u>	

The following schedule shows debt service to maturity for bonds payable of the Water Works Board of the City of Auburn at September 30, 2020:

Year ending September 30	Principal	Interest	Total
2021	\$ 1,280,000	\$ 1,086,845	\$ 2,366,845
2022	1,315,000	1,051,669	2,366,669
2023	1,355,000	1,015,421	2,370,421
2024	1,390,000	977,805	2,367,805
2025	1,430,000	939,000	2,369,000
2026-2030	7,975,000	3,864,795	11,839,795
2031-2035	9,510,000	2,330,691	11,840,691
2036-2040	<u>10,770,000</u>	<u>943,586</u>	<u>11,713,586</u>
Total	<u>\$35,025,000</u>	<u>\$12,209,812</u>	<u>\$47,234,812</u>

Water Revenue Bonds are collateralized by a pledge of net system revenues derived, and to be derived from, the operation of the AWWB's water system. The AWWB is also required to maintain such rates and charges for the water service and other services supplied from the system, and make collections from the users thereof in such a manner as shall produce revenues sufficient at all times (i) to provide for payment of all operating expenses, (ii) to produce annual net income of not less than 110% of the then applicable maximum annual debt service requirement, and (iii) to make all monthly payments provided herein. These coverage requirements have been met by the AWWB for the year ended September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

Industrial Development Board

The following is a summary of changes in bonds and notes payable for the IDB for the year ended September 30, 2020:

	<u>Balance</u> 10/1/2019	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 9/30/2020	<u>Due Within</u> <u>One Year</u>
Long term notes payable	\$ 39,598,265	\$ 12,581,976	\$ (6,992,693)	\$ 45,187,548	\$ 6,344,082
Short term notes payable	2,450,916	5,248,862	(5,525,000)	2,174,778	2,174,778
Bonds payable	3,140,000	-	(360,000)	2,780,000	2,780,000
Total	<u>\$ 45,189,181</u>	<u>\$ 17,830,838</u>	<u>\$ (12,877,693)</u>	<u>\$ 50,142,326</u>	<u>\$ 11,298,860</u>

Short-term notes were issued to finance construction costs for buildings held for leasing prior to obtaining permanent financing.

During fiscal year 2019, the Board obtained a line of credit for \$1,000,000 from AuburnBank for the purpose of acquiring equipment. The line matures on September 19, 2029 and bears interest at 5.50%. Draws totaling \$561,976 were made against the line in fiscal year 2020, and the amount of available credit at September 30, 2020 was \$438,024. All equipment owned by the Board is pledged as security for the line of credit.

Bonds payable

Bonds payable at September 30, 2020, are comprised of Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds in the original principal amount of \$5,640,000. The bonds were used to fund real property improvements and to refund previous outstanding debt.

The debt service payments on the Series 2006-A bonds are limited obligations of the IDB, payable solely out of payments received pursuant to an Appropriation Agreement with the City of Auburn and funds drawn by the trustee from a letter of credit issued by River Bank & Trust. Under the agreement, which was approved by City Council in July 2006 and amended in September 2011, the City has agreed to appropriate during each fiscal year an amount equal to the debt service on the bonds. The agreement is automatically renewed each fiscal year for a term of twelve months unless the City passes a resolution electing not to renew the agreement prior to the first day of the applicable fiscal year. As of the date of these financial statements, the agreement had been extended to September 30, 2021. The City intends to fund the appropriations through additional tax revenues derived from future industrial recruitment. The Appropriation Agreement has been assigned and pledged by the Industrial Development Board as security for the bonds.

The bonds mature on July 1, 2026, and bear interest at a variable rate determined weekly by the IDB's remarketing agent, The Frazer Lanier Company, Inc., with the interest payable in arrears on the first business day of the following month. The rate is the lowest rate that would, in the opinion of the remarketing agent, result in the market value of the bonds being 100% of the purchase price on the date of determination, with a maximum rate of 10% per annum. This method was used beginning on September 22, 2011, the date the bonds were remarketed. The weighted average interest rate for fiscal year 2020 was 1.209%. Interest incurred for the fiscal year amounted to \$161,619.

The bonds are subject to purchase on demand of the holder at a price equal to 100% of the principal amount of the bond plus accrued interest. The bonds must be presented for payment with seven days' notice to the bond trustee and upon repurchase the remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount.

There is no take out agreement in place to convert the bonds to permanent financing in the event the remarketing agent is unable to resell bonds that are repurchased under the optional tender provision. Under an irrevocable letter of credit issued by River Bank & Trust, the trustee or remarketing agent may draw an amount equal to the purchase price of bonds tendered for purchase plus an amount corresponding to thirty-five (35) days of interest

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

on the bonds, computed at the maximum rate of interest. In September 2020, the Board notified River Bank & Trust of its intent to exercise the right of optional redemption under the indenture. The letter of credit was extended until October 23, 2020, the date of redemption.

The Board is required to pay River Bank & Trust annual fees for the letter of credit in the amount of 1.80% of the outstanding principal amount of the stated principal amount of the letter of credit, prorated until its maturity. In addition, the remarketing agent is paid an annual fee of one-eighth of one percent of the weighted average daily principal amount of the bonds outstanding.

Repayment of the bonds on October 23, 2020 consisted of the following:

Fiscal Year	Series 2006-A		Total
	Principal	Interest	
2021	\$ 2,780,000	\$ 334	\$ 2,780,334

Interest was calculated using the variable interest rate in effect on the last day of the fiscal year (0.20%).

Long-term notes payable

Notes payable of the IDB at September 30, 2020, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/2020	Year of Final Principal Maturity
AuburnBank	5.000%	Monthly	\$ 8,670,000	\$ 4,066,293	2024
AuburnBank	5.000%	Monthly	2,157,341	1,784,117	2025
AuburnBank	5.500%	Monthly	5,525,000	5,499,973	2022
AuburnBank	5.000%	Monthly	1,445,000	1,406,509	2024
AuburnBank	5.000%	Monthly	2,146,000	1,492,833	2022
AuburnBank	5.000%	Monthly	1,290,000	625,498	2022
AuburnBank	5.000%	Monthly	2,274,000	1,541,685	2022
AuburnBank	5.000%	Monthly	1,025,000	511,400	2022
AuburnBank	5.000%	Monthly	4,753,000	3,829,121	2021
AuburnBank	5.000%	Monthly	493,000	479,855	2025
AuburnBank	5.000%	Monthly	875,000	532,660	2024
AuburnBank	5.500%	Monthly	3,968,914	3,720,309	2024
AuburnBank	5.000%	Monthly	875,000	442,000	2025
AuburnBank	5.000%	Monthly	1,300,000	1,189,868	2023
AuburnBank	3.800%	Monthly	7,000,000	5,788,653	2026
AuburnBank	5.000%	Monthly	260,000	169,647	2021
AuburnBank	5.000%	Monthly	422,500	384,773	2023
AuburnBank	5.000%	Monthly	3,685,863	3,322,168	2022
AuburnBank	4.500%	Monthly	2,700,000	2,419,914	2022
AuburnBank	4.750%	Monthly	5,000,000	5,000,000	2030
AuburnBank	5.500%	Monthly	561,976	462,368	2029
City of Auburn	3.030%	Monthly	1,800,000	517,904	2023
Total notes payable			\$ 58,227,594	\$ 45,187,548	

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

Proceeds of the notes were used to purchase and construct industrial buildings held for leasing by the IDB, to purchase property for resale, to purchase equipment and to finance property and equipment sold under capital leases. The notes are secured by real estate mortgages on the properties financed and assignment of related leases.

The following schedule shows debt service to maturity for notes payable of the Industrial Development Board at September 30, 2020:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2021	\$ 6,341,892	\$ 2,091,454	\$ 8,433,346
2022	11,202,818	1,673,451	12,876,269
2023	3,246,940	1,231,505	4,478,445
2024	11,998,453	899,879	12,898,332
2025	8,684,533	261,431	8,945,964
2026	296,311	172,301	468,612
2027	310,900	157,711	468,611
2028	325,806	142,805	468,611
2029	342,249	126,362	468,611
2030	2,437,646	109,510	2,547,156
Total	\$ 45,187,548	\$ 6,866,409	\$ 52,053,957

NOTE 11. UNEARNED PROGRAM REVENUE

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2020, totaled \$129,700.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers for housing rehabilitation and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans made under this program are deferred for 20 years from the date of the loan. At that time, the City will begin receiving amortized payments of principal and interest for the second mortgages, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2020, totaled \$1,201,365.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) under a Loan Guarantee Assistance contract pursuant to Section 108 of Title 1 of the Housing and Urban Development Act of 1974. Under the terms of the loans, the monies received from HUD are loaned to qualified borrowers as micro-loans or as part of a Commercial and Industrial Loan Program. When the City made these loans, unearned revenue equal to the principal amount of the loan was recorded in the governmental fund financial statements. The loans made under this program are repaid according to the terms of each individual loan agreement. As the City receives amortized payments of principal and interest, unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The loans outstanding at September 30, 2020, totaled \$500,079.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 12. LEASE AGREEMENTS

COMPONENT UNITS

Industrial Development Board

Description of leasing arrangements - The IDB's leasing activities consist of the leasing of industrial space in facilities owned by the IDB (operating leases) and sales-type capital leases to various industries for land, buildings and/or equipment located in the IDB's industrial parks. The operating leases expire over the next fourteen years and the capital leases expire over the next twenty-six years.

Operating leases - The Industrial Development Board began leasing industrial space during fiscal year 1995. The cost of land and buildings held for leasing by the IDB at September 30, 2020, was \$6,135,153, and \$46,350,779, respectively; accumulated depreciation on the buildings was \$11,326,525. Rents received during fiscal year 2020 were \$4,310,730. Of the twenty-two leases in effect at September 30, 2020, fifteen were noncancelable. Six leases are month-to-month and one lease has a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term, provides for automatic one-year renewal terms ending on May 31, 2025, and annual minimum rentals of \$35,000 payable in advance.

The following is a schedule by years of future minimum rental payments required under the leases with remaining noncancelable lease terms in excess of one year as of September 30, 2020:

Fiscal Year	Future Minimum Rental Payments
2021	\$ 3,202,114
2022	2,973,983
2023	2,731,605
2024	2,113,511
2025	2,113,511
2026	2,113,511
2027	1,753,189
2028	1,547,764
2029	1,309,239
2030	1,030,760
2031	508,931
2032	508,931
2033	127,233
Total	<u>\$ 22,034,282</u>

Capital leases

- A. The IDB has leased, under capital leases, eight parcels of land located in its industrial parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2021 to 2045, and several of the leases provide for renewal terms. No capital lease payments were received for these leases in fiscal year 2020, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal.

During fiscal year 2014, 2017 and 2018, four existing companies conveyed property to the IDB, and the Board leased the property back to the companies under prepaid capital leases. Remaining payments under the leases consist solely of payments due under the bargain-purchase options, which are minimal, and no payments were received in fiscal year 2020. The leases expire in 2024, 2027, 2028 and 2043.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 12. LEASE AGREEMENTS - CONTINUED

- B. The IDB has six sales-type capital leases involving land and buildings in the Auburn Industrial Park and the Auburn Technology Park West with lease terms expiring in 2023, 2025, 2033, 2035, 2039 and 2040. The components of the net investment in sales-type capital leases at September 30, 2020 are as follows:

Total minimum lease payments to be receive	\$ 27,556,040
Less: unearned income	<u>(8,357,796)</u>
Net investment in capital leases	<u>\$ 19,198,244</u>

Executory costs such as maintenance and insurance are paid directly by lessees and therefore are not included in minimum lease payments. All lease payments are deemed collectible and there are no contingent rentals or unguaranteed residual values associated with the leases.

Future minimum lease payments due under the leases are as follows:

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2021	\$ 1,799,307
2022	1,730,863
2023	1,642,745
2024	1,519,380
2025	3,079,915
2026	1,382,024
2027	1,382,024
2028	1,382,024
2029	1,382,024
2030	1,382,024
Thereafter	<u>10,873,710</u>
Total	<u>\$ 27,556,040</u>

- C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2020 were \$53,778. There were eight operating leases in effect at September 30, 2020. All of the leases are non-cancelable and expire within one year. Future minimum rentals of \$24,905 are due under the non-cancelable leases in fiscal year 2021.

NOTE 13. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. On September 1, 2020, the Council approved the implementation of Act 2019-132 which provides Tier 1 retirement benefits to its Tier 2 plan members.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still in active service	98
	<hr/>
	93,986
	<hr/>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. On September 1, 2020, the Council approved implementation of Act 2019-132 which requires Tier 2 covered members of the ERS to contribute 7.5% of earnable compensation to the ERS. Tier 2 members who are law enforcement officers and firefighters are required to contribute 8.5% of their earnable compensation to the ERS. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2020, the City's active employee contribution rate was 5.56% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 9.63% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2020 was 11.20% of pensionable pay for Tier 1 employees, and 8.13% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$3,410,287 for the year ended September 30, 2020.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018 rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2018	\$ 112,632,612	\$ 113,698,265
(b) Discount rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019	2,660,970	2,660,970
(d) Transfers Among Employers	-	(521,313)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019	<u>(5,470,330)</u>	<u>(5,470,330)</u>
(f) TPL as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$ 118,285,355</u>	<u>\$ 118,911,751</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Actuarial assumptions. The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25%-5.00%
Investment rate of return*	7.75%

* Net of pension plan investment expense.

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2018	\$ 112,632,612	\$ 77,508,673	\$ 35,123,939
Changes for the year:			
Service cost	2,660,970	-	2,660,970
Interest	8,462,103	-	8,462,103
Changes of assumptions	-	-	-
Difference between expected and actual experience	1,147,709	-	1,147,709
Contributions - employer	-	3,192,281	(3,192,281)
Contributions - employee	-	2,010,918	(2,010,918)
Net investment income	-	1,980,152	(1,980,152)
Benefit payments, including refunds of employee contributions	(5,470,330)	(5,470,330)	-
Transfers among employers	(521,313)	(521,313)	-
Net changes	6,279,139	1,191,708	5,087,431
Balances at September 30, 2019	\$ 118,911,751	\$ 78,700,381	\$ 40,211,370

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.70%) or 1 percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
City's net pension liability	\$ 55,481,028	\$ 40,211,370	\$ 27,458,399

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized pension expense of \$1,315,636. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,570,042	\$ 65,359
Changes of assumptions	2,130,960	-
Net difference between projected and actual earnings on pension plan investments	977,852	-
Employer contributions subsequent to the measurement date	3,410,287	-
	\$ 9,089,141	\$ 65,359

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Year ended September 30:		
2021	\$	770,072
2022	\$	1,024,131
2023	\$	1,685,563
2024	\$	1,603,595
2025	\$	410,225
Thereafter	\$	119,909

COMPONENT UNITS

Board of Education

Plan Description. The ABOE employees are members of the Teachers' Retirement System of Alabama (TRS). The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to *the Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions. Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$6,180,576 for the year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2020, the Board reported a liability of \$74,734,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2019, the Board's proportion was 0.675906%, which was an increase of 0.000315% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the Board recognized pension expense of \$9,295,683. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,105,000	\$ 2,478,000
Changes of assumptions	2,303,000	-
Net difference between projected and actual earnings on pension plan investments	2,602,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributor	1,998,000	26,000
Employer contributions subsequent to the measurement date	6,180,576	-
	<u>\$ 14,188,576</u>	<u>\$ 2,504,000</u>

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date (\$6,180,576) will be recognized as a reduction of the net pension liability in the year ended September 30, 2021.

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

Year ended September 30:

2021	\$ 1,075,000
2022	\$ 896,000
2023	\$ 1,869,000
2024	\$ 1,695,000
2025	\$ (31,000)

Actuarial Assumptions. The total pension liability as of September 30, 2019, was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return*	7.70%
Projected salary increases	3.25%-5.00%

* Net of pension plan investment expense, including inflation.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016 (the discount rate of 7.70% was adopted on December 4, 2018).

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and over.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

Discount Rate. The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of Net Pension Liability to Changes in the Discount Rate. The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.70%) or 1 percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of collective net pension liability	\$ 101,456,000	\$ 74,734,000	\$ 52,121,000

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Water Works Board

The Water Works Board also contributes to the Employees’ Retirement Systems of Alabama under the same plan description and statutory requirements as the City.

For the year ended September 30, 2020, AWWB’s active employee contribution rate was 3.14% of covered employee payroll, and AWWB’s average contribution rate to fund the normal and accrued liability costs was 2.97% of pensionable payroll.

The AWWB’s contractually required contribution rate for the year ended September 30, 2020 was 5.78% of pensionable pay for Tier 1 employees and 3.35% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the AWWB were \$83,158 for the year ended September 30, 2020.

Net Pension Liability. The AWWB’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2018	\$ 3,604,684	\$ 3,621,324
(b) Discount rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019	107,775	107,775
(d) Transfers Among Employers	-	-
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019	<u>(119,965)</u>	<u>(119,965)</u>
(f) TPL as of September 30, 2019 = [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))]	<u>\$ 3,865,436</u>	<u>\$ 3,883,358</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2018	\$ 3,604,684	\$ 3,464,223	\$ 140,461
Changes for the year:			
Service cost	107,775	-	107,775
Interest	272,942	-	272,942
Changes in assumptions	-	-	-
Difference between expected and actual experience	17,922	-	17,922
Contributions - employer	-	72,599	(72,599)
Contributions - employee	-	74,435	(74,435)
Net investment income	-	89,302	(89,302)
Benefit payments, including refunds of employee contributions	(119,965)	(119,965)	-
Net changes	278,674	116,371	162,303
Balances at September 30, 2019	\$ 3,883,358	\$ 3,580,594	\$ 302,764

Sensitivity of the net pension liability to changes in the discount rate. The following table presents AWWB's net pension liability calculated using the discount rate of 7.70%, as well as what AWWB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.70%) or 1 percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Net pension liability	\$ 796,240	\$ 302,764	\$ (114,828)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the AWWB recognized pension expense/(income) of (\$92,937). At September 30, 2020, AWWB reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 72,717	\$ 407,859
Changes of assumptions	41,188	-
Net difference between projected and actual earnings on plan investments	46,359	-
Employer contributions subsequent to the measurement date	77,340	-
Total	\$ 237,604	\$ 407,859

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Year ended September 30:		
2021	\$	(89,658)
2022	\$	(78,429)
2023	\$	(46,472)
2024	\$	(3,739)
2025	\$	(44,139)
Thereafter	\$	14,842

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS

CITY OF AUBURN PRIMARY GOVERNMENT

The Water Works Board of the City of Auburn and the Public Park and Recreation Board, two component units of the City of Auburn, participate in The City of Auburn's General Employees' OPEB plan. All descriptions, policies, costs, methods and assumptions described below apply to the City, as well as the AWWB and PPRB, and their employees.

General Information about the OPEB Plan

Plan description. The City of Auburn's General Employees' OPEB Plan provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer, defined benefit OPEB plan administered by City personnel. Benefits and contribution requirements (both employee and employer) for the General Employees OPEB Plan are established by City ordinance and can only be amended by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. The City provides medical benefits to employees upon retirement according to the retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service for employees who began eligible employment prior to January 1, 2013. Employees who first began eligible employment on or after January 1, 2013 must be age 62 with 10 years of service to become eligible for retiree health benefits. Surviving spouses of retirees are eligible for COBRA for 36 months. The retirees pay 100% of the premium costs and specific deductibles. Employees do not contribute to their postemployment benefits costs until they retire and begin receiving those benefits. The City pays for all costs in excess of premiums and deductibles.

Employees covered by benefit terms. At September 30, 2020, the following employees were covered by the benefit terms:

	General Fund	Sewer Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Inactive employees or beneficiaries						
currently receiving benefit payments	27	3	1	2	-	33
Active plan members	498	22	32	28	4	584
Total	525	25	33	30	4	617

Total OPEB Liability

The City's total OPEB liability of \$6,040,826 was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.0% per year
Payroll growth:	3.25% to 5.00%, including inflation
Employer funding policy:	Pay-as-you-go cash basis
Healthcare cost trend rates:	8.0% for 2020, decreasing 0.5% per year to an ultimate rate of 4.5% for 2027 and later years
Cost method:	Entry age normal level percent of salary method

The discount rate was based on a yield for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The actual discount rate used in the September 30, 2020 valuation was 2.41%.

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2018 to September 30, 2019.

Changes in the Total OPEB Liability

	General Fund	Sewer Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Total OPEB Liability 9/30/2019	\$ 3,345,160	\$ 153,538	\$ 184,803	\$ 148,403	\$ 18,084	\$ 3,849,988
Changes for the year:						
Service cost	99,249	4,726	6,238	5,671	757	116,641
Interest	118,669	5,651	7,459	6,781	904	139,464
Changes in assumptions	725,728	34,558	45,617	41,470	5,530	852,903
Differences between expected and actual experience	1,301,009	61,953	81,778	74,344	9,910	1,528,994
Benefit payments	(121,849)	(5,802)	(7,659)	(6,963)	(928)	(143,201)
Net change in total OPEB liability	2,122,806	101,086	133,433	121,303	16,173	2,494,801
Total OPEB Liability 9/30/2020	\$ 5,467,966	\$ 254,624	\$ 318,236	\$ 269,706	\$ 34,257	\$ 6,344,789
Plan fiduciary net position 9/30/2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes for the year:						
Contributions - employer	121,849	5,802	7,659	6,963	928	143,201
Benefit payments	(121,849)	(5,802)	(7,659)	(6,963)	(928)	(143,201)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position 9/30/2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a % of total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 28,002,392	\$ 1,333,447	\$ 1,760,150	\$ 1,600,137	\$ 213,352	\$ 32,909,478
Net OPEB liability as % of covered payroll	19.53%	19.10%	18.08%	16.86%	16.06%	19.28%

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.41 percent) or 1 percentage point higher (3.41 percent) than the current discount rate:

	1% Decrease (1.41%)	Current Discount Rate (2.41%)	1% Increase (3.41%)
General Fund	\$ 5,995,127	\$ 5,467,966	\$ 4,876,475
Sewer Fund	284,766	254,624	231,630
Solid Waste Management Fund	372,068	318,236	302,642
Water Works Board	342,038	269,706	278,216
Public Park and Recreation Board	43,816	34,257	35,640
Total	<u>\$ 7,037,814</u>	<u>\$ 6,344,789</u>	<u>\$ 5,724,604</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.00 percent decreasing to 5.50 percent) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
General Fund	\$ 4,782,317	\$ 5,467,966	\$ 6,133,321
Sewer Fund	227,158	254,624	291,330
Solid Waste Management Fund	296,799	318,236	380,644
Water Works Board	272,844	269,706	349,922
Public Park and Recreation Board	34,952	34,257	44,826
Total	<u>\$ 5,614,070</u>	<u>\$ 6,344,789</u>	<u>\$ 7,200,043</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Plan recognized OPEB expense of \$432,829. At September 30, 2020, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources					Total
	General Fund	Sewer Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	
Differences between expected and actual experience	\$ 1,922,523	\$ 91,319	\$ 119,315	\$ 109,101	\$ 14,635	\$ 2,256,893

	Deferred Inflows of Resources					Total
	General Fund	Sewer Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	
Change of assumptions or other inputs	\$ 271,512	\$ 12,713	\$ 14,965	\$ 14,926	\$ 2,061	\$ 316,177

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

	General Fund	Sewer Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Year ended September 30:						
2021	\$ 272,527	\$ 12,945	\$ 16,913	\$ 15,466	\$ 2,075	\$ 319,925
2022	\$ 272,527	\$ 12,945	\$ 16,913	\$ 15,466	\$ 2,075	\$ 319,925
2023	\$ 272,527	\$ 12,945	\$ 16,913	\$ 15,466	\$ 2,075	\$ 319,925
2024	\$ 272,526	\$ 12,945	\$ 16,913	\$ 15,466	\$ 2,075	\$ 319,924
2025	\$ 273,228	\$ 12,978	\$ 16,957	\$ 15,505	\$ 2,080	\$ 320,748
Thereafter	\$ 289,860	\$ 13,768	\$ 17,989	\$ 16,449	\$ 2,207	\$ 340,273

COMPONENT UNITS

Board of Education

General Information about the OPEB Plan

Plan Description. The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIP Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through the PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIP Board. The PEEHIP Board is a corporate body for purposes of management of the health insurance plan. *The Code of Alabama 1975, Section 16-25A-4* provides the PEEHIP Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits provided. PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions. *The Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the PEEHIP Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIP Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the Board for

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIP Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIP Board. This reduction in the employer contribution ceases upon notification to the PEEHIP Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2020, the ABOE reported a liability of \$31,041,164 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The ABOE's proportion of the net OPEB liability was based on a projection of the ABOE's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the ABOE's proportion was .822769%, which was an increase of .0053427% from its proportion measured as of September 30, 2018.

For the year ended September 30, 2020, the ABOE recognized pension expense of (\$1,819,758), with no special funding situations. At September 30, 2020, the ABOE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,027,801	\$ 23,801,023
Changes of assumptions	1,483,954	12,857,433
Net difference between projected and actual earnings on OPEB plan investments	64,034	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	5,684,355	1,516,313
Employer contributions subsequent to the measurement date	1,461,159	-
	<u>\$ 9,721,303</u>	<u>\$ 38,174,769</u>

Deferred outflows of resources related to OPEB resulting from ABOE contributions subsequent to the measurement date (\$1,461,159) will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021.

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

Year ended September 30:	
2021	\$ (6,263,570)
2022	\$ (6,263,570)
2023	\$ (6,182,231)
2024	\$ (4,857,008)
2025	\$ (5,396,950)
Thereafter	\$ (951,296)

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.25%
Municipal bond index rate at the measurement date	3.00%
Municipal bond index rate at the prior measurement date	4.18%
Projected year for Fiduciary Net Position (FNP) to be depleted	2055
Single equivalent interest rate at the measurement date	5.50%
Single equivalent interest rate at the prior measurement date	4.44%
Healthcare cost trend rate	
Pre-Medicare eligible	6.75%
Medicare eligible	***
Ultimate trend rate	
Pre-Medicare eligible	4.75% in 2026
Medicare eligible	4.75% in 2024

*Includes 3% wage inflation.

**Compounded annually, net of investment expense, and includes inflation.

*** Initial Medicare claims are set based on scheduled increases through plan year 2022.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females ages 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation, however, updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00%	4.40%
US Large Stocks	38.00%	8.00%
US Mid Stocks	8.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

*Geometric mean, includes 2.5% inflation

Discount Rate. The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74 used to measure the total OPEB liability at September 30, 2019, was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately 24.245% of the employer contributions were used to assist in funding retired member benefit payments in 2019 and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the Trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

Sensitivity of the Auburn City Board of Education's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following table presents the ABOE's proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% decreasing to 3.75% for pre-Medicare, Known decreasing to 3.75% for Medicare eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre-Medicare, Known decreasing to 4.75% for Medicare eligible)	1% Increase (7.75% decreasing to 5.75% for pre-Medicare, Known decreasing to 5.75% for Medicare eligible)
Board's proportionate share of collective net OPEB	\$ 24,889,430	\$ 31,041,164	\$ 38,788,995

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The following table presents the ABOE's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Board's proportionate share of collective net OPEB	\$ 37,520,442	\$ 31,041,164	\$ 25,749,732

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 15. WORKERS' COMPENSATION SELF-INSURANCE

The City has retained risk of loss for workers' compensation claims. These risks are accounted for as governmental activities of the primary government. The following is a schedule of changes in claims liabilities during the past two fiscal years:

	Fiscal Year	
	2020	2019
Unpaid claims, beginning of year	\$ 919,395	\$ 175,238
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	179,831	1,190,019
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	(28,673)	7,620
Total incurred claims	<u>151,158</u>	<u>1,197,639</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(135,242)	(334,055)
Claims attributable to prior years' events where the City has retained risk of loss	(222,544)	(119,427)
Total payments	<u>(357,786)</u>	<u>(453,482)</u>
Unpaid claims, end of year	<u>\$ 712,767</u>	<u>\$ 919,395</u>

Total liability for uninsured workers' compensation claims at September 30, 2020, is recorded as follows: \$28,489 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$684,278, along with the estimated liability for insured risks of \$94,481, is recorded in the primary government's governmental activities' long-term debt and other liabilities in the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 16. MEDICAL SELF-INSURANCE

The City has chosen to retain risk of loss relating to medical claims of City employees and their covered dependents. These risks are accounted for in the General Fund. The following is a schedule of changes in medical claims liabilities during the past two fiscal years:

	Fiscal Year	
	2020	2019
Unpaid claims, beginning of year	<u>\$ 261,425</u>	<u>\$ 118,234</u>
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	5,098,413	5,147,861
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>(261,425)</u>	<u>16,879</u>
Total incurred claims	<u>4,836,988</u>	<u>5,164,740</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(4,291,595)	(4,873,290)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(260,654)</u>	<u>(148,259)</u>
Total payments	<u>(4,552,249)</u>	<u>(5,021,549)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 546,164</u>	<u>\$ 261,425</u>

The unpaid claims as of September 30, 2020, are reported in the General Fund.

NOTE 17. UNEMPLOYMENT COMPENSATION

The City of Auburn is on the reimbursement method of unemployment compensation, and the actual amount paid in the fiscal year ended September 30, 2020, by the State (\$17,558) to individuals is reflected as an expense of the General Fund.

NOTE 18. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Revenue Commissioner for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year ended September 30, 2020:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 5,811,007 *	\$ 127,473	\$ 59,807	\$ 5,623,727
Special 5-Mill Tax Fund	5	5,799,160 **	127,473	59,807	5,611,880
Special School Tax Fund	16	19,730,215	431,370	207,640	19,091,205
Property tax totals	<u>26</u>	<u>\$ 31,340,382</u>	<u>\$ 686,316</u>	<u>\$ 327,254</u>	<u>\$ 30,326,812</u>

* Includes taxes on mobile homes and is reduced by industrial tax exemptions.

** Reduced by industrial tax exemptions.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2020 consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
\$ 793,774	General Fund	Nonmajor Governmental Funds	Provide cash flow for capital projects
<u>292,540</u>	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program
<u>\$ 1,086,314</u>			

NOTE 20. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2020:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 1,087,877	\$ 327,621
Nonmajor Governmental Funds	718,230	1,640,409
Total governmental activities	<u>1,806,107</u>	<u>1,968,030</u>
Major Proprietary Fund		
Sewer Fund	16,193	110,698
Nonmajor proprietary fund	311,428	55,000
Total business-type activities	<u>327,621</u>	<u>165,698</u>
Total primary government	<u>\$ 2,133,728</u>	<u>\$ 2,133,728</u>

Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. Interfund transfers are eliminated in the government-wide financial statements.

Transfers are used to (1) move revenues from funds accounting for revenues with a restricted purpose to funds expending resources for the restricted purpose, (2) move receipts restricted to debt service from the funds collecting the receipts to the funds making the payments as debt service payments become due, and (3) use unrestricted revenues collected in various funds to finance programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 21. INTRA-ENTITY TRANSACTIONS

The following schedules provide details of various transactions between the primary government and discretely presented component units.

A. Short-term receivables and payables

	<u>Due To</u>	<u>Due From</u>
Component Units		
Auburn City Board of Education	\$ -	\$ 2,164,568
Water Works Board	958,984	40,975
Primary Government		
General Fund	22,687	483,578
Special School Tax Fund	2,164,568	-
Nonmajor governmental funds	845	-
Sewer Fund	12,585	356,696
Nonmajor proprietary fund	4,858	118,710
Total	<u>\$ 3,164,527</u>	<u>\$ 3,164,527</u>

Amounts loaned from the City of Auburn to its component units represent reimbursements due for operating expenses, and repayment will be made from operating revenues in the next fiscal period.

B. Payments between the City and Component Units

	<u>Appropriations To</u>	<u>Payments From</u>
Primary Government		
General Fund	\$ -	\$ 14,465,577
Special School Tax Fund	-	35,679,816
Nonmajor governmental funds	-	61,433
Component Units		
Auburn City Board of Education	48,988,526	-
Industrial Development Board	966,433	-
Public Parks and Recreation Board	251,867	-
Total	<u>\$ 50,206,826</u>	<u>\$ 50,206,826</u>

Payments from the City to its component units consist primarily of funding for routine operating expenses and debt service payments. The payments between the City and its component units do not balance in the fund financial statements due to a difference in the measurement focus and basis of accounting between governmental funds and proprietary-type component units.

The City appropriated \$48,988,526 to the Board of Education during the year, \$37,801,843 of which is reported as unrestricted appropriations from the City with the balance of \$11,186,683 reported as property tax revenue.

The City appropriated \$905,000 to the Industrial Development Board for various operating purposes, including industrial recruitment, commercial development, workforce development, and other general operating expenses. Additionally, the City appropriated \$61,433 for improvements to the Auburn Technology Park West. This amount is included in capital contributions in the Statement of Revenues, Expenses and Changes in Net Position.

In addition to the above scheduled payments, the City makes debt service payments on behalf of the Board of Education and Public Parks and Recreation Board that are not recorded as payments to those component units. The debt payments (including bond trustee fees) paid on behalf of the Board of Education are reflected on the City's books as debt service expenditures and amounted to \$11,522,597.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 22. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND

To facilitate the reporting of Special Revenue Funds, several Special Revenue Funds, the operations of which are very similar in nature, have been combined and reported as a single fund in the combining and individual nonmajor fund financial statements.

In previous years, the City received various Housing Development Assistance Grant Program (HODAG) and Urban Development Action Grant (UDAG) federal grants which were used to make loans to private entities to be used for housing and business development activities within the City. As the City receives repayments from these loans, the repayments of funds may be expended for Title I eligible purposes. The City is using some of these repayments to make loans and grant incentives to private entities and individuals for further housing and business development activities. Loans made under contracts for the Micro-Loan Program and the Commercial and Industrial Loan Program will produce repayments which the City will use in the same manner as described above. Based on their related purposes and activities, the following Special Revenue Funds are presented as a single fund entitled the Federal Grant Loan Repayment Fund: the Shelton Park UDAG Fund, the Revolving Loan Fund, the Affordable Housing Fund, the CDBG RLF Housing Rehab Loan Program Fund, the CDBG RLF Affordable Housing Loan Program Fund and the Section 108 Loan Program Fund.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 22. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND – CONTINUED

Selected financial information for the sub-funds of the Federal Grant Loan Repayment Fund for the current fiscal year is as follows:

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Section 108 Loan Program*	Total
Assets							
Cash and cash equivalents	\$ 14,036	\$ 1,271	\$ 111,600	\$ 400	\$ 1,240	\$ -	\$ 128,547
Investments	-	-	-	-	-	1,591,342	1,591,342
Receivables, net	-	-	-	-	-	9,147	9,147
Mortgages receivable	38,187	-	91,014	799,209	402,150	512,603	1,843,163
Restricted cash	-	-	-	-	-	54,701	54,701
Total assets	<u>\$ 52,223</u>	<u>\$ 1,271</u>	<u>\$ 202,614</u>	<u>\$ 799,609</u>	<u>\$ 403,390</u>	<u>\$ 2,167,793</u>	<u>\$ 3,626,900</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 181	\$ 48	\$ 32	\$ -	\$ 261
Due to component units	-	-	114	-	-	-	114
Unearned revenue	38,637	-	91,063	799,209	402,156	500,079	1,831,144
Total liabilities	<u>38,637</u>	<u>-</u>	<u>91,358</u>	<u>799,257</u>	<u>402,188</u>	<u>500,079</u>	<u>1,831,519</u>
Fund balance:							
Restricted - social & economic	13,586	1,271	111,256	352	1,202	1,667,714	1,795,381
Total liabilities and fund balance	<u>\$ 52,223</u>	<u>\$ 1,271</u>	<u>\$ 202,614</u>	<u>\$ 799,609</u>	<u>\$ 403,390</u>	<u>\$ 2,167,793</u>	<u>\$ 3,626,900</u>
Revenues							
Program income	\$ 13,035	\$ -	\$ 130,591	\$ 58,963	\$ 10,350	\$ 73,693	\$ 286,632
Interest	562	88	1,913	(39)	8,524	27,380	38,428
Miscellaneous	-	-	60	-	381	-	441
Total revenues	<u>13,597</u>	<u>88</u>	<u>132,564</u>	<u>58,924</u>	<u>19,255</u>	<u>101,073</u>	<u>325,501</u>
Expenditures							
Economic development	-	60	21,613	-	-	35	21,708
Debt service - principal	-	-	-	-	-	180,000	180,000
Debt service - interest	-	-	-	-	-	73,289	73,289
Total expenditures	<u>-</u>	<u>60</u>	<u>21,613</u>	<u>-</u>	<u>-</u>	<u>253,324</u>	<u>274,997</u>
Excess (deficiency) of revenues over expenditures	<u>13,597</u>	<u>28</u>	<u>110,951</u>	<u>58,924</u>	<u>19,255</u>	<u>(152,251)</u>	<u>50,504</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	30,000	30,000
Transfers out	(37,500)	(22,500)	-	(59,132)	(19,098)	-	(138,230)
Total other financing sources (uses)	<u>(37,500)</u>	<u>(22,500)</u>	<u>-</u>	<u>(59,132)</u>	<u>(19,098)</u>	<u>30,000</u>	<u>(108,230)</u>
Net changes in fund balance	(23,903)	(22,472)	110,951	(208)	157	(122,251)	(57,726)
Fund balance, beginning of year	<u>37,489</u>	<u>23,743</u>	<u>305</u>	<u>560</u>	<u>1,045</u>	<u>1,789,965</u>	<u>1,853,107</u>
Fund balance, end of year	<u>\$ 13,586</u>	<u>\$ 1,271</u>	<u>\$ 111,256</u>	<u>\$ 352</u>	<u>\$ 1,202</u>	<u>\$ 1,667,714</u>	<u>\$ 1,795,381</u>

* Net of interfund eliminations.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 23. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE SPECIAL REVENUE FUND

Beginning in fiscal year 2000, City management created the State Funded Seizures Special Revenue Fund for internal reporting purposes. The fund's purpose is to separately track police seizure revenues that are from state government sources. Because its operations are very similar in nature to those accounted for in the Public Safety Substance Abuse Special Revenue Fund, those activities have been combined and reported as a single fund in the basic financial statements. Selected financial information for the sub-funds of the Public Safety Substance Abuse Special Revenue Fund is shown below, net of interfund eliminations:

	State Funded Seizures	Public Safety Substance Abuse (other seizures)	Total
Assets			
Cash and cash equivalents	\$ 100,363	\$ 170,329	\$ 270,692
Liabilities and fund balance			
Unearned revenue	\$ -	\$ 104,878	\$ 104,878
Fund balance			
Restricted - law enforcement	100,363	65,451	165,814
Total liabilities and fund balance	\$ 100,363	\$ 170,329	\$ 270,692
Revenues			
Contributions from the public	\$ 7,286	\$ 29,435	\$ 36,721
Interest	582	1,067	1,649
Total revenues	7,868	30,502	38,370
Expenditures			
Public safety	3,301	6,739	10,040
Capital outlay	-	23,763	23,763
Total expenditures	3,301	30,502	33,803
Excess (deficiency) of revenues over expenditures	4,567	-	4,567
Other financing sources (uses)			
Sale of surplus assets	4,510	-	4,510
Net changes in fund balances	9,077	-	9,077
Fund balance, beginning of year	91,286	65,451	156,737
Fund balance, end of year	\$ 100,363	\$ 65,451	\$ 165,814

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES

For managerial accounting purposes, several activities reported in the City of Auburn's General Fund are recorded in sub-funds. Selected financial information for these various activities for the current fiscal year (as reflected in the governmental fund financial statements) is shown below, net of related eliminating entries:

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Assets					
Cash and cash equivalents	\$ 39,812,201	\$ 1,585,626	\$ 1,120,778	\$ 857,004	\$43,375,609
Certificates of deposit	-	85,969	-	-	85,969
Investments	11,376,619	-	-	-	11,376,619
Receivables, net	10,789,365	616,426	2,918	-	11,408,709
Due from other funds	1,086,314	-	-	-	1,086,314
Due from component units	465,295	-	18,283	-	483,578
Inventories	281,141	-	-	-	281,141
Prepaid items	1,054,697	-	-	-	1,054,697
Advances to other agencies	46,530	-	-	-	46,530
Restricted cash	236,054	-	-	-	236,054
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	<u>\$69,279,343</u>	<u>\$ 2,288,021</u>	<u>\$ 1,141,979</u>	<u>\$ 857,004</u>	<u>\$73,566,347</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 3,581,400	\$ -	\$ 70,891	\$ -	\$ 3,652,291
Payables to other governments	10,882	-	-	-	10,882
Due to component units	22,687	-	-	-	22,687
Customer deposits	223,987	-	-	-	223,987
Claims payable	-	-	546,165	87,970	634,135
Unearned revenue	858,911	2,288,295	-	-	3,147,206
Total liabilities	<u>4,697,867</u>	<u>2,288,295</u>	<u>617,056</u>	<u>87,970</u>	<u>7,691,188</u>
Fund balances					
Nonspendable					
Inventories	281,141	-	-	-	281,141
Prepaid items	1,054,697	-	-	-	1,054,697
Advances	46,530	-	-	-	46,530
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Law enforcement	236,054	-	-	-	236,054
Committed					
Investments	1,765,891	-	-	-	1,765,891
Assigned					
General	28,638,302	-	-	-	28,638,302
Unassigned	29,206,902	(822)	(475,077)	990,414	29,721,417
Total fund balances	<u>65,360,644</u>	<u>(822)</u>	<u>(475,077)</u>	<u>990,414</u>	<u>65,875,159</u>
Total liabilities and fund balances	<u>\$70,058,511</u>	<u>\$ 2,287,473</u>	<u>\$ 141,979</u>	<u>\$ 1,078,384</u>	<u>\$73,566,347</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues					
Sales and use taxes	\$ 43,838,542	\$ -	\$ -	\$ -	\$43,838,542
Occupational license fees	13,829,887	-	-	-	13,829,887
Motor fuel taxes	755,957	-	-	-	755,957
Lodging taxes	1,900,502	-	-	-	1,900,502
Rental and leasing taxes	985,837	-	-	-	985,837
Other taxes	295,093	-	-	-	295,093
Licenses and permits	15,704,555	-	-	-	15,704,555
General property tax	6,946,386	-	-	-	6,946,386
Charges for services	8,327,673	-	4,671,444	-	12,999,117
Fines and forfeitures	850,436	-	-	-	850,436
State shared taxes	3,524,795	-	-	-	3,524,795
Contributions from the public	678,105	182,910	-	-	861,015
Interest	606,602	9,932	6,104	5,951	628,589
Miscellaneous	237,545	-	138	-	237,683
Total revenues	<u>98,481,915</u>	<u>192,842</u>	<u>4,677,686</u>	<u>5,951</u>	<u>103,358,394</u>
Expenditures					
General government and administration	5,782,106	-	-	-	5,782,106
Public works	3,867,394	-	-	-	3,867,394
Environmental services	1,734,247	-	-	-	1,734,247
Public safety	23,844,918	-	-	-	23,844,918
Library	2,384,557	-	-	-	2,384,557
Parks and recreation	5,460,467	-	-	-	5,460,467
Planning	5,189,569	-	-	-	5,189,569
Economic development	3,588,369	-	-	-	3,588,369
Employee services	911,416	-	5,736,729	-	6,648,145
Risk management	199,091	-	-	70,965	270,056
Total departmental	<u>52,962,134</u>	<u>-</u>	<u>5,736,729</u>	<u>70,965</u>	<u>58,769,828</u>
Non-departmental	2,282,368	-	-	-	2,282,368
Debt service:					
Administrative charges	3,039	-	-	-	3,039
Interest	1,848,011	10,206	-	-	1,858,217
Principal retirement	4,620,531	182,910	-	-	4,803,441
Capital outlay	10,841,942	-	-	-	10,841,942
Intergovernmental	1,682,635	-	-	-	1,682,635
Payments to component units	14,465,577	-	-	-	14,465,577
Total expenditures	<u>88,706,237</u>	<u>193,116</u>	<u>5,736,729</u>	<u>70,965</u>	<u>94,707,047</u>
Excess (deficiency) of revenues over expenditures	<u>9,775,678</u>	<u>(274)</u>	<u>(1,059,043)</u>	<u>(65,014)</u>	<u>8,651,347</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Other financing sources (uses)					
Sale of surplus assets	99,240	-	-	-	99,240
Transfers in	1,027,877	-	-	60,000	1,087,877
Transfers out	(327,621)	-	-	-	(327,621)
Total other financing sources (uses)	<u>799,496</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>859,496</u>
Net changes in fund balances	10,575,174	(274)	(1,059,043)	(5,014)	9,510,843
Fund balances,					
beginning of year	<u>54,785,470</u>	<u>(548)</u>	<u>583,967</u>	<u>995,428</u>	<u>56,364,317</u>
Fund balances, end of year	<u>\$65,360,644</u>	<u>\$ (822)</u>	<u>\$ (475,076)</u>	<u>\$ 990,414</u>	<u>\$ 65,875,160</u>

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES

CITY OF AUBURN PRIMARY GOVERNMENT

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$18,648,998 as of September 30, 2020.

The City contracts with Veolia Water North America Operating Services, LLC for the operation, management and maintenance of the City's publicly owned wastewater treatment facilities. The original contract, dated February 5, 2002 and amended November 16, 2010, was effective until January 1, 2020. The City approved a third amended and restated agreement with Veolia effective January 2, 2020 through January 1, 2030 with the same basic cost structure and operating fee calculation as the previous agreements. Under the agreement, the City pays for the cost of operations plus a management fee based on a percentage of the cost of operations. The operating fee is calculated annually based upon the facilities budget for the year and paid in monthly installments to Veolia. A true-up is conducted annually to adjust the budgeted payments to actual costs. During fiscal year 2020, the City paid Veolia \$1,601,679 to operate the wastewater facilities.

In September 2004, the City signed an agreement with Lee County, Alabama for the County to provide jail services to the City. In addition to a per inmate charge, the City agreed to assist the County with funding for its jail expansion project. The City agreed to make annual appropriations provided that the payments can be made from current revenues budgeted and appropriated for such purpose. Provided that this restriction is met, the following payments would be made to the County:

Fiscal Year	Appropriation
2021	\$ 357,858
2022	358,835
2023	356,706
2024	357,875
2025	358,818
Total	<u>\$ 1,790,092</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

In July 2006, the City entered into a development, funding and cooperation agreement with Auburn University and The Public Park and Recreation Board of the City of Auburn. The agreement provided for the construction of a tennis facility on approximately 11.21 acres of City owned land to include both an Auburn City tennis facility and an Auburn University tennis facility. The costs for constructing the tennis facilities were paid from general obligation bonds and warrants. The entire complex is being leased by the City to the Park Board for a period of twenty years. The Park Board subleases the

University tennis facility to Auburn University, also for a period of twenty years. The tennis complex was completed in August 2007.

Claims and Litigation - As of September 30, 2020, the City was not named defendant in any pending lawsuits.

In fiscal year 2020, the City expended \$183,720 in payment of claims and judgments and legal costs associated therewith. These expenditures are included in the General Fund as current expenditures for Risk Management.

Contingency: Audit of Federal and State Grants - The City received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City Management believes such disallowances, if any, will be immaterial.

COMPONENT UNITS

Board of Education

Commitments

The ABOE has seven remaining commitments on uncompleted contracts for various construction and development projects, all of which are being funded with proceeds from a bond issued by the City of Auburn as follows:

	Project Authorization	Expended To Date	Remaining Commitment
Drake Middle School Plan 2028	\$ 21,937,054	\$ 15,719,422	\$ 6,217,632
Cary Woods Elementary School Plan 2028	16,062,621	14,354,380	1,708,241
New Elementary School	1,042,629	117,805	924,824
East Samford School Gym Replacement	658,100	289,769	368,331
Central Office Elevator Replacement	258,891	154,416	104,475
ACS Master Plan 2028 - Warranty	80,529	-	80,529
Transportation Building	1,052,123	1,050,996	1,127
Total	<u>\$ 41,091,947</u>	<u>\$ 31,686,788</u>	<u>\$ 9,405,159</u>

The ABOE is obligated under certain leases which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of these lease agreements are not reflected as part of the ABOE's capital assets. The ABOE has several non-cancelable leases for certain equipment that are classified as operating leases. Rent expense under these noncancelable leases was \$124,103 for the fiscal year ended September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 62,917
2022	37,600
2023	7,433
2024	2,574
Total	<u>\$ 110,524</u>

In April 2018 the ABOE entered into a capital lease agreement with Apple, Inc. for the purchase of 3,330 iPads and iPad cases. The inception date was April 9, 2018, and the maturity date is April 9, 2020. The interest rate is 0.9%. This agreement qualified as a capital lease for accounting purposes and was recorded at the present value of

the future minimum lease payments as of the date of inception. Interest expense was \$5,292 for the year ended September 30, 2020.

The following is a summary of changes in the ABOE's obligations under capital lease for the year ended September 30, 2020:

	<u>Capital Lease Payable</u>
Balance, September 30, 2019	\$ 587,971
Principal repayments	<u>(587,971)</u>
Balance, September 30, 2020	<u>\$ -</u>

Contingency – Grantor Contingencies - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or the General Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the ABOE expects such amounts, if any, to be immaterial.

Water Works Board

Commitments - The Water Works Board has commitments for construction projects in connection with system improvements totaling \$576,779 as of September 30, 2020.

The Board entered into an agreement with the City of Opelika Water Board effective on June 1, 1983, for the right to purchase water from Opelika. The agreement had two commitments. First, the agreement provided that the Auburn Board would pay its proportionate share of the debt service on Opelika's Series 1983 bonds, plus its share of the bond issue costs, and an initial capital contribution. Auburn has fulfilled all of these initial commitments. Second, Auburn would pay Opelika for the water it purchased based on its share of the production and transportation costs in relation to total production. In return for its payment of these amounts, Auburn's Board receives the right to purchase not greater than 3.6 million gallons of water per day. It is a 'take-or-pay' agreement with the first 138 million gallons annual amount set as a required minimum. The original agreement was set to expire in March of 2013; however, the Board approved the 20-year renewal (at no additional cost as set forth in the agreement) in October of 2012.

The Water Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. The agreement included a land lease and permission to build and operate a well on property located on the farm. Construction was completed and Well No. 3 was placed in service May of 2012. The agreement includes a minimum annual purchase of 210,240,000 gallons per year at an initial rate of \$.50 per 1,000 gallons (\$105,120 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.58 per 1,000 gallons (\$121,939) for the year ended September 30, 2020. The term of the agreement

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

is twenty years, with six five-year extension options. Total water pumped in the 2020 fiscal year was 430,753,000 gallons with a total annual payment of \$249,837.

In August 2018, The Water Board entered into an agreement to purchase water from Auburn H2O, LLC once the water supply well and transmission main was complete. The agreement includes a minimum annual purchase of 438,000,000 gallons per year at an initial rate of \$.40 per 1,000 gallons (\$175,200 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.41 per 1,000 gallons (\$179,580) for the year ended September 30, 2020. The term of the agreement is twenty-five years, with eleven five-year extension options. Total water pumped in the 2020 fiscal year was 438,000,000 gallons with a total annual payment of \$179,580.

In October of 2003 the Water Board entered into a Safe Harbor Agreement along with Martin Marietta Materials, Inc., The City of Auburn, the State of Alabama, the U.S. Fish and Wildlife Service and other land owners along

Chewacala Creek to provide for the protection of certain endangered species. The agreement lays out minimal water discharge, maintenance, testing and reporting along the Chewacala Creek stream bank and bed. The

requirements are pursuant to the Safe Harbor Policy for the “enrolled properties” which include the Martin Marietta Quarry, where the Water Board has agreed upon rights to pump water directly from the quarry basin to Lake Ogletree. The Safe Harbor agreement is for 30 years and subject to changes as required by federal laws and the health of the aquatic community.

Industrial Development Board

Commitments - As of September 30, 2020, the IDB was committed under certain construction contracts in the approximate amount of \$996,000. Additionally, various incentive packages were committed to eighteen companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisition at discounted values; cash assistance for site preparation; relocation and training; rent reductions; and tax abatements. Subsequent to year end, but prior to the date of these financial statements, approximately \$100,000 of these incentives were paid by the IDB.

During fiscal year 2020, the IDB executed a sales-type capital lease for a building in Auburn Technology Park West. The lease principal consists of two separate transactions: the cost of the original land and building that were occupied during the fiscal year, and an expansion project that was underway at the end of the fiscal year. The original land and building were treated as sold in fiscal year 2020 and the lease will be adjusted in fiscal year 2021 to incorporate the cost of the expansion.

The IDB committed a 6.65+/- acre lot in the Auburn Technology Park West to an industry for a future project. If accepted, a ground lease will be negotiated between the IDB and the tenant.

Prior to fiscal year end, the IDB approved a sale of property in the Auburn Industrial Park. A project agreement was signed after year end that established a selling price of \$175,000 and approved various incentives.

In fiscal year 2020, the IDB agreed to the terms of an expansion for an existing industry. The expansion will be financed by the IDB and repaid by the tenant through a lease amendment. The lease, construction contracts and construction loan documents were all signed subsequent to year end. Various incentives were also committed as part of the expansion.

In a prior year, the IDB had committed approximately 13 +/- acres of property in Auburn Technology Park West to an industry for future expansion, if needed. The commitment expires in November 2023.

Contingencies - The IDB has received several state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, IDB management believes such disallowances, if any, will be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 26. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Post closure care costs are paid only after the date that the landfill stops accepting waste; the City reports these post closure care costs in governmental activities' long-term debt and other liabilities. There were no expenditures for landfill closure and post closure care during fiscal year 2020. The \$105,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2020, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 27. TAX ABATEMENTS

Property Tax Abatements - The City of Auburn provides property tax abatements pursuant to the provisions of Act No. 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975). Property tax abatements may be granted to an entity committing to a new project or major addition to an existing facility that equals the lesser of \$2 million or 30% of the original cost. Only certain NAICS codes qualify. Property taxes are abated by applying a reduced millage rate to the assessed value to determine the adjusted property tax due.

The City abates non-education ad valorem taxes and mortgage recording taxes, excluding those for the benefit of the East Alabama Medical Center or children's homes operated by Lee County, Alabama. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City's property tax revenues were reduced by \$789,113 during the reporting period as a result of these agreements. The City has not made any commitments as part of the agreements other than to reduce property taxes. No other entity grants abatements for City of Auburn property taxes.

Prior to Act No. 92-599, the City of Auburn provided property tax abatements under Act No. 49-648 and Act No. 51-756. To encourage industrial development, the City entered into leases with certain companies where no part of the project would be subject to property taxes. The City's property tax revenues were reduced by \$29,814 during the reporting period as a result of the remaining active agreements. The City has no additional commitments as part of the agreements other than to reduce property taxes.

Sales and Use Tax Abatements - The City of Auburn provides sales and use tax abatements pursuant to the provisions of Act No. 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975). Sales and use tax abatements may be granted to an entity committing to a new project or major addition to an existing facility that equals the lesser of \$2 million or 30% of the original cost. Only certain NAICS codes qualify. Sales and use taxes are abated by applying a reduced sales and use tax rate to the materials and/or equipment purchased. The City abates 8% of non-educational general sales and use taxes, and 3% of non-educational machinery in manufacturing sales and use taxes. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City's sales and use tax revenues were reduced by \$1,980,714 during the reporting period as a result of these agreements. The City has not made any commitments as part of the agreements other than to reduce sales and use taxes. No other entity grants abatements for City of Auburn sales and use taxes.

The City of Auburn provides sales and use tax rebates through a commercial development incentive program pursuant to Amendment 772 to the Constitution of Alabama of 1901. A portion of sales and use taxes collected within a redeveloped area are rebated to an entity if certain development activities and improvements are performed, including façade enhancements, infrastructure improvements, and possible job creation. During the reporting period, \$1,378,476 was rebated under these agreements. The City's sales and use tax revenues were not reduced by this amount because the rebates were recorded as expenditures. The City has not made any commitments as part of the agreements other than to rebate a portion of sales and use taxes.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 27. TAX ABATEMENTS - CONTINUED

Sales and Lodging Tax Abatements - In fiscal year 2009, the City entered into an agreement with a commercial developer to provide for the use of future taxes to support the issuance of bonds for the purpose of constructing qualified public improvements as outlined in State of Alabama enabling legislation Chapter 99A and 99B, Title 11, Code of Alabama 1975. A portion of sales and lodging taxes (derived taxes) generated in this development is rebated to the developer to pay for debt service on the infrastructure improvements. During the reporting period, \$381,883 was rebated under this agreement. The City's sales and use tax revenues were not reduced by this amount because the rebates were recorded as expenditures. The City has not made any commitments as part of this agreement other than to rebate a portion of sales and use taxes. The agreement expires in 2039.

NOTE 28. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

The City has evaluated subsequent events through March 25, 2021, the date these financial statements were available to be issued.

Subsequent to September 30, 2020, the City Council approved various design and construction contracts totaling approximately \$10,826,000, professional services type contracts totaling approximately \$1,605,000, and equipment and computer software purchases totaling approximately \$2,340,000.

COMPONENT UNITS

Board of Education

On October 13, 2020, the Board approved an agreement with Xerox, Inc., for the purchase of new copiers at the Junior High School. These are funded by installment agreements that total \$27,886, with interest rates between 8% and 10%, and have a 36-month term.

In November 2020, the Board purchased 2,320 iPads for \$854,980 and iPad keyboards/cases for \$149,825. These were purchases for students at various schools.

On November 10, 2020, the Board approved the following: 1) an agreement in the amount of \$175,000 with Auburn Design Studio, LLC, Auburn, Alabama, to renovate existing space at the Junior High School into a professional development classroom, 2) an agreement in the amount of \$695,000 with McKee & Associates Architecture & Interior Design, Montgomery, Alabama, for re-roofing projects at the Junior High School's Field House and East Samford School's Fine Arts Building and Media Center, and 3) an agreement in the amount of \$289,000 with Auburn Design Studio, LLC, Auburn, Alabama, to renovate existing classroom space into a Dental Clinic at East Samford School.

On November 20, 2020, the Board entered into real estate sales contract for the purchase of 127 acres of land in Auburn, Alabama. On December 7, 2020, \$100,000 of earnest money was paid by the Board. Including the earnest money, the total cost of the land is \$5,183,124. The sale is contingent upon the Board's approval. The property will be the site of a new school.

On December 8, 2020, the Board approved the following: 1) a bid from Busworx, Birmingham, AL, in the amount of \$814,760 (\$101,845 per unit) for eight or more air-conditioned 78-passenger Class "D" transit style buses, 2) a bid from Transportation South, Pelham, AL, in the amount of \$95,574 (per unit cost) for one or more air-conditioned Type C Special Needs buses, and 3) an owner architect agreement in the amount of \$147,000 with Perkins + Will, Atlanta, Georgia and a program management agreement in the amount of \$60,000 with TCU Consulting Services, LLC, Montgomery, Alabama, for track and field improvements at the Junior High School.

Water Works Board

Subsequent to September 30, 2020, the Board approved construction contracts totaling approximately \$291,430 and equipment purchases totaling approximately \$166,831.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 28. SUBSEQUENT EVENTS – CONTINUED

Industrial Development Board

In October 2020, the IDB repaid its Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds. The outstanding principal amount at the repayment date was \$2,780,000.

In November 2020, the IDB sold a facility in the Auburn Technology Park South to a tenant that was leasing the facility. The sales price of the property was \$4.30 million and the proceeds were used to retire debt of approximately \$3.03 million.

Subsequent to September 30, 2020, the IDB drew approximately \$1.2 million on a short-term construction loan for payment of construction costs on a building expansion. Additionally, a new construction loan was obtained in the amount of \$3.0 million to finance an expansion project, and loan costs of approximately \$23,000 were paid. No draws had been made on the new loan as of the date of these financial statements.

Construction contracts totalling approximately \$3.11 million and a design contract not to exceed \$50,000 were signed subsequent to September 30, 2020.

In December 2020, one of the IDB's lessees elected to exercise the purchase option embedded in its capital lease. The IDB used the proceeds to repay its debt on the facility. At September 30, 2020, the principal balance of the capital lease was \$442,000 and the principal balance of the note payable was \$442,000. Future minimum rental payments of \$560,048 (interest portion is \$118,048) were included in the disclosure in Note 12, and debt service payments of \$512,153 (\$442,000 principal and \$70,153 interest) are included in the disclosure in Note 10.

In December 2020, the IDB signed a purchase agreement for approximately 78 acres of land in the vicinity of Auburn Technology Park West. The purchase price is \$350,000 plus \$22,500 per acre, with the final price to be determined after a survey is obtained. The cost is expected to be approximately \$2.1 million. Earnest money in the amount of \$50,000 and due diligence costs of approximately \$12,000 were paid by the IDB prior to the date of these financial statements.

Subsequent to September 30, 2020, an existing company conveyed property to the IDB, and the IDB leased the property back to the company under a prepaid capital lease. Remaining payments under the leases consist solely of payments due under the bargain-purchase option, which is minimal, and no payments have been received in fiscal year 2021. The lease expires in fiscal year 2041. Additionally, various incentives were approved for the related expansion project.

In February 2021, the Board committed a 2.00+/- acre lot in the Auburn Technology Park West to an industry for a future project. If accepted, a ground lease will be negotiated between the Board and the tenant.

Auburn Center for Developing Industries (Component Unit)

Subsequent to September 30, 2020, the Center made various improvements to its Advanced Manufacturing Training Center totalling approximately \$49,000, and an additional \$200,000 was authorized for expenditure.

NOTE 29. RISK AND UNCERTAINTIES RELATED TO COVID-19

CITY OF AUBURN PRIMARY GOVERNMENT

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City of Auburn's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. The City is dependent on its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives have impacted the City's ability to deploy its workforce effectively.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 29. RISK AND UNCERTAINTIES RELATED TO COVID-19 - CONTINUED

During fiscal year ending September 30, 2020, the City received various COVID-19 grants from the federal government through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds were passed through from the State of Alabama. The funds were used for the purchase of personal protective equipment for City employees, cleaning and sanitation supplies, workplace safety barriers and other preparations, training of City staff in regard to COVID-19 protocols, payroll related costs and support of the City's employee health clinic (City Care).

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

COMPONENT UNITS

Board of Education

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Board's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and

the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year ending September 30, 2021. The Board is dependent on its workforce to deliver its services. Developments in response to COVID-19, such as social distancing and shelter-in-place directives, may impact the Board's ability to deploy its workforce effectively.

During fiscal year ending September 30, 2020, the Board received various COVID-19 grants from the federal government through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These funds were passed through from the State of Alabama. The funds were used to help set up remote learning, expand the sanitation efforts in the schools, and in other ways to address the impacts of the COVID-19 outbreak.

Although the Board cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Board's results of future operations, financial position, and liquidity in fiscal year ending September 30, 2021.

Water Works Board

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Water Works Board of the City of Auburn's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. The Board is dependent on its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives have impacted the Board's ability to deploy its workforce effectively. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 29. RISK AND UNCERTAINTIES RELATED TO COVID-19 - CONTINUED

Industrial Development Board

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Board’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year ending September 30, 2021. The Board is dependent on its workforce to deliver its services. Developments in response to COVID-19, such as social distancing and shelter-in-place directives, and travel restrictions may impact the Board’s ability to deploy its workforce effectively. The COVID-19 pandemic is creating disruption in global supply chains and adversely impacting many industries, including the manufacturing sectors in which the Board’s tenants operate.

The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. These disruptions could impact the Board’s ability to collect revenues in future periods, as well as the recoverability of its real estate assets.

While the Board considers these disruptions to be temporary, if they continue, the COVID-19 pandemic may have an adverse effect on the Board’s revenues, results of future operations, financial position, and liquidity for fiscal year 2021.



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BOYKIN
GYMNASIUM
1000 B BOYKIN STREET
AUBURN, AL 36830

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	2019	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$	\$
Total pension liability						
Service cost	2,660,970	2,420,659	2,348,855	2,263,221	2,096,359	2,020,170
Interest	8,462,103	7,988,160	7,587,667	7,098,665	6,773,185	6,444,210
Differences between expected and actual experience	1,147,709	1,239,780	403,593	1,030,203	(201,519)	-
Changes of assumptions	-	650,117	-	3,582,969	-	-
Benefit payments, including refunds of employee contributions	(5,470,330)	(5,549,049)	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	(521,313)	35,394	174,097	137,570	-	-
Net change in total pension liability	6,279,139	6,785,061	5,370,118	9,375,620	4,205,974	4,222,044
Total pension liability - beginning	<u>112,632,612</u>	<u>105,847,551</u>	<u>100,477,433</u>	<u>91,101,813</u>	<u>86,895,839</u>	<u>82,673,795</u>
Total pension liability - ending (a)	<u>118,911,751</u>	<u>112,632,612</u>	<u>105,847,551</u>	<u>100,477,433</u>	<u>91,101,813</u>	<u>86,895,839</u>
Plan fiduciary net position						
Contributions - employer	3,192,281	2,886,965	2,895,132	2,934,254	2,827,895	2,602,824
Contributions - member	2,010,918	1,773,476	1,613,441	1,597,131	1,548,903	1,341,496
Net investment income	1,980,152	6,601,723	8,171,480	5,923,189	683,202	6,183,165
Benefit payments, including refunds of employee contributions	(5,470,330)	(5,549,049)	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	(521,313)	35,394	174,097	137,570	(66,372)	193,733
Net change in plan fiduciary net position	1,191,708	5,748,509	7,710,056	5,855,136	531,577	6,078,882
Plan net position - beginning	<u>77,508,673</u>	<u>71,760,164</u>	<u>64,050,108</u>	<u>58,194,972</u>	<u>57,663,395</u>	<u>51,584,513</u>
Plan net position - ending (b)	<u>78,700,381</u>	<u>77,508,673</u>	<u>71,760,164</u>	<u>64,050,108</u>	<u>58,194,972</u>	<u>57,663,395</u>
Net pension liability - ending a - b	40,211,370	35,123,939	34,087,387	36,427,325	32,906,841	29,232,444
Plan fiduciary net position as a percentage of the total pension liability	66.18%	68.82%	67.80%	63.75%	63.88%	66.36%
Covered payroll ⁽¹⁾	31,535,819	30,468,475	28,547,194	27,235,213	25,894,222	24,266,174
Net pension liability as a percentage of covered payroll	127.51%	115.28%	119.41%	133.75%	127.08%	120.47%

⁽¹⁾Employer's covered payroll during the measurement period is the total covered payroll. For FY2020, the measurement period is October 1, 2018 to September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	2020	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$	\$
Actuarially determined contributions*	3,391,662	3,175,036	2,755,194	2,854,621	2,818,007	2,704,775
Actual employer contributions	3,391,662	3,175,036	2,755,194	2,854,621	2,818,007	2,704,775
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll**	35,428,974	34,130,998	30,468,475	28,547,194	27,235,213	25,894,222
Contributions as a percentage of covered payroll	9.57%	9.30%	9.04%	10.00%	10.35%	10.45%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

**Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020:

Actuarial cost method: entry age

Amortization method: level percent closed

Remaining amortization period: 27.1 years

Asset valuation method: five year smoothed market

Inflation: 2.75%

Salary increases: 3.25 - 5.00%, including inflation

Investment rate of return: 7.75%, net of pension plan investment expense, including inflation

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	2020	2019	2018
	\$	\$	\$
Total OPEB Liability			
Service cost	110,213	102,701	106,479
Interest	131,779	152,194	130,523
Changes in assumptions	805,903	198,691	(113,656)
Differences between expected and actual experience	1,444,740	(327,559)	108,181
Benefit payments	(135,310)	(120,467)	(99,020)
Net change in total OPEB liability	2,357,325	5,560	132,507
Total OPEB Liability - beginning	3,683,503	3,677,943	3,545,436
Total OPEB Liability - ending	\$ 6,040,828	\$ 3,683,503	\$ 3,677,943
Covered employee payroll	31,095,990	32,124,486	27,910,274
Total OPEB liability as % of covered payroll	19.4%	11.5%	13.2%

Notes to Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

2020	2019	2018
2.41%	3.58%	4.15%



AUBURN

NONMAJOR GOVERNMENTAL FUNDS



SPECIAL REVENUE FUNDS

Special Revenue Funds are operating funds used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes other than special assessments or major capital projects.

Seven Cent Gas Tax Fund accounts for funds received from the State of Alabama and expended for street related projects.

Four and Five Cent Gas Tax Fund accounts for Auburn's share of the State of Alabama four and five cent gas tax revenues and expenditures for the resurfacing, restoration and rehabilitation of roads, bridges and streets.

Ten Cent Rebuild Tax Fund accounts for Auburn's share of the State of Alabama Rebuild Alabama Act revenues and expenditures for street and infrastructure related projects.

Municipal Court Judicial Administration Fund accounts for funds received from specific fines collected that are to be used for municipal court administration purposes.

Public Safety - Substance Abuse Fund accounts for funds received from the U.S. Marshal and the State of Alabama to be used for enforcement of laws against drug trafficking.

Working Capital Interest Subsidy Program Fund accounts for the City's contribution to provide subsidy payments to cover interest on qualifying loans made to enable commercial enterprises to maintain business in the City during and following the effects of COVID-19 as allowed by Amendment 772 to the Constitution of Alabama of 1901.

Grants - General Activities Fund accounts for state and federal grants.

Community Development Block Grant Fund accounts for those funds received from federal Community Development Block Grants and expended for approved community development projects.

Federal Grant Loan Repayment Fund accounts for mortgage revenue from grants provided by the U.S. Department of Housing and Urban Development used to fund Title I projects within the city.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the payment of principal and interest on long-term debt. Debt service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

Special 5-Mill Tax Fund accounts for general property tax receipts used to pay principal and interest on voted bonds issued to finance projects approved by the voters.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

West Tech Park Phase II Fund accounts for the revenue and expenditure of bonds issued by the City for the expansion of Auburn Technology Park West and other infrastructure projects.

2018 Public Safety Complex Fund accounts for the revenue and expenditures of general obligation warrants issued by the City for the construction of a new public safety complex for the City.

Wright Street Parking Deck Fund accounts for the revenue and expenditures of general obligation warrants issued for the construction of a new parking deck in downtown Auburn.

Parks and Recreation Capital Projects Fund accounts for the revenue and expenditures for the completion of numerous projects outlined in the Parks, Recreation and Cultural Master Plan.

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2020

	Special Revenue Funds									
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Ten Cent Rebuild Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Working Capital Int Subsidy Program	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Cash and cash equivalents	37,053	29,872	519	463,476	270,692	47,276	-	6,300	128,549	983,737
Investments	-	-	-	-	-	-	-	-	1,591,342	1,591,342
Receivables, net	13,503	10,694	-	33,935	-	-	1,053,508	62,736	9,147	1,183,523
Mortgages receivable	-	-	-	-	-	-	-	-	1,843,163	1,843,163
Restricted cash	-	-	-	-	-	-	-	-	54,701	54,701
Total assets	<u>50,556</u>	<u>40,566</u>	<u>519</u>	<u>497,411</u>	<u>270,692</u>	<u>47,276</u>	<u>1,053,508</u>	<u>69,036</u>	<u>3,626,902</u>	<u>5,656,466</u>
LIABILITIES										
Accounts payable and accrued liabilities	-	-	-	121,704	-	1,546	18,156	-	261	141,667
Due to component units	-	-	-	-	-	-	-	475	114	589
Due to other funds	-	-	-	-	-	-	223,978	68,562	-	292,540
Unearned revenue	-	-	-	-	104,878	-	187,751	-	1,831,144	2,123,773
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,704</u>	<u>104,878</u>	<u>1,546</u>	<u>429,885</u>	<u>69,037</u>	<u>1,831,519</u>	<u>2,558,569</u>
Restricted										
Roads, bridges and streets	50,556	40,566	519	-	-	-	-	-	-	91,641
Law enforcement	-	-	-	375,707	165,814	-	-	-	-	541,521
General grants	-	-	-	-	-	-	623,623	-	-	623,623
Social and economic	-	-	-	-	-	-	-	-	1,795,382	1,795,382
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Committed										
Interest Subsidy Program	-	-	-	-	-	45,730	-	-	-	45,730
Total fund balances	<u>50,556</u>	<u>40,566</u>	<u>519</u>	<u>375,707</u>	<u>165,814</u>	<u>45,730</u>	<u>623,623</u>	<u>-</u>	<u>1,795,382</u>	<u>3,097,897</u>
Total liabilities and fund balances	<u>50,556</u>	<u>40,566</u>	<u>519</u>	<u>497,411</u>	<u>270,692</u>	<u>47,276</u>	<u>1,053,508</u>	<u>69,037</u>	<u>3,626,901</u>	<u>5,656,466</u>

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS, CONTINUED

AS OF SEPTEMBER 30, 2020

	Debt		Capital Projects Funds			Total	Total Nonmajor Governmental Funds
	Service Fund						
	Special 5-Mill Tax Fund	West Tech Park Phase II Fund	2018 Public Safety Complex	Wright Street Parking Deck	Parks & Rec Capital Projects		
ASSETS	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	9,306,207	786,951	568,465	129,828	-	1,485,244	11,775,188
Investments	-	-	-	-	-	-	1,591,342
Receivables, net	42,377	-	-	-	-	-	1,225,900
Mortgages receivable	-	-	-	-	-	-	1,843,163
Restricted cash	-	-	2,566,937	10,291,052	-	12,857,989	12,912,690
Total assets	9,348,584	786,951	3,135,402	10,420,880	-	14,343,233	29,348,283
LIABILITIES							
Accounts payable and accrued liabilities	-	52,383	936,940	1,763,005	38,869	2,791,197	2,932,864
Due to component units	-	-	-	256	-	256	845
Due to other funds	-	-	-	-	793,774	793,774	1,086,314
Unearned revenue	-	-	-	-	-	-	2,123,773
Total liabilities	-	52,383	936,940	1,763,261	832,643	3,585,227	6,143,796
Restricted							
Roads, bridges and streets	-	-	-	-	-	-	91,641
Law enforcement	-	-	-	-	-	-	541,521
General grants	-	-	-	-	-	-	623,623
Social and economic	-	-	-	-	-	-	1,795,382
Capital projects	-	734,569	2,198,462	8,657,618	(832,643)	10,758,006	10,758,006
Debt service	9,348,584	-	-	-	-	-	9,348,584
Committed							
Interest Subsidy Program	-	-	-	-	-	-	45,730
Total fund balances	9,348,584	734,569	2,198,462	8,657,618	(832,643)	10,758,006	23,204,487
Total liabilities and fund balances	9,348,584	786,952	3,135,402	10,420,879	-	14,343,233	29,348,283

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds									Total
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Ten Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Working Capital Int Subsidy Program	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General property taxes	-	-	-	-	-	-	-	-	-	-
State shared taxes	150,246	118,264	241,434	-	-	-	-	-	-	509,944
Fines and forfeitures	-	-	-	111,527	-	-	-	-	-	111,527
Contributions from the public	-	-	-	-	36,721	-	-	-	-	36,721
Grants	-	-	-	-	-	-	2,294,285	534,381	-	2,828,666
Program income	-	-	-	-	-	-	-	-	286,633	286,633
Interest	314	263	519	5,954	1,650	414	-	-	38,428	47,542
Miscellaneous	-	-	-	-	-	-	-	-	441	441
Total revenues	150,560	118,527	241,953	117,481	38,371	414	2,294,285	534,381	325,502	3,821,474
Expenditures										
General government and administration	-	-	-	10,888	-	-	-	-	-	10,888
Public works	-	-	-	-	-	-	1,001,500	-	-	1,001,500
Public safety	-	-	-	-	10,041	-	45,465	-	-	55,506
Library	-	-	-	-	-	-	21,416	-	-	21,416
Economic development	-	-	-	-	-	14,684	-	494,975	21,708	531,367
Total departmental	-	-	-	10,888	10,041	14,684	1,068,381	494,975	21,708	1,620,677
Non-departmental	-	-	-	-	-	-	409,189	-	-	409,189
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	180,000	180,000
Interest	-	-	-	-	-	-	-	-	73,289	73,289
Administrative charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	154,595	23,763	-	407,248	87,636	-	673,242
Payments to component units	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	165,483	33,804	14,684	1,884,818	582,611	274,997	2,956,397
Excess (deficiency) of revenues over expenditures	150,560	118,527	241,953	(48,002)	4,567	(14,270)	409,467	(48,230)	50,505	865,077
Other financing sources (uses)										
Debt issuance	-	-	-	-	-	-	-	-	-	-
Sale of surplus assets	-	-	-	-	4,510	-	-	-	-	4,510
Transfers in	-	-	-	-	-	60,000	-	78,230	30,000	168,230
Transfers out	(155,000)	(125,000)	(241,434)	(550,000)	-	-	-	(30,000)	(138,230)	(1,239,664)
Total other financing sources (uses)	(155,000)	(125,000)	(241,434)	(550,000)	4,510	60,000	-	48,230	(108,230)	(1,066,924)
Net changes in fund balances	(4,440)	(6,473)	519	(598,002)	9,077	45,730	409,467	-	(57,725)	(201,847)
Fund balances, beginning of year	54,996	47,039	-	973,708	156,736	-	214,155	-	1,853,107	3,299,741
Fund balances, end of year	50,556	40,566	519	375,706	165,813	45,730	623,622	-	1,795,382	3,097,894

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED

NONMAJOR GOVERNMENTAL FUNDS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Debt		Capital Projects Funds				Total	Total Nonmajor Governmental Funds
	Service Fund							
	Special 5-Mill Tax Fund	West Tech Park Phase II Fund	2018 Public Safety Complex	Wright Street Parking Deck	Parks & Rec Capital Projects			
Revenues	\$	\$	\$	\$	\$	\$	\$	
General property taxes	5,799,160	-	-	-	-	-	5,799,160	
State shared taxes	-	-	-	-	-	-	509,944	
Fines and forfeitures	-	-	-	-	-	-	111,527	
Contributions from the public	-	-	-	-	-	-	36,721	
Grants	-	-	-	-	-	-	2,828,666	
Program income	-	-	-	-	-	-	286,633	
Interest	76,468	4,989	66,193	2,460	-	73,642	197,652	
Miscellaneous	-	-	-	-	-	-	441	
Total revenues	5,875,628	4,989	66,193	2,460	-	73,642	9,770,744	
Expenditures								
General government and administration	-	-	-	-	-	-	10,888	
Public works	-	-	-	-	-	-	1,001,500	
Public safety	-	-	-	-	-	-	55,506	
Library	-	-	-	-	-	-	21,416	
Economic development	-	-	-	-	-	-	531,367	
Total departmental	-	-	-	-	-	-	1,620,677	
Non-departmental	187,295	-	-	-	-	-	596,484	
Debt service:								
Principal retirement	-	-	-	-	-	-	180,000	
Interest	4,177,520	-	-	-	-	-	4,250,809	
Administrative charges	828	-	612	28,500	-	29,112	29,940	
Capital outlay	-	-	7,445,874	6,915,597	832,643	15,194,114	15,867,356	
Payments to component units	-	61,433	-	-	-	61,433	61,433	
Total expenditures	4,365,643	61,433	7,446,486	6,944,097	832,643	15,284,659	22,606,699	
Excess (deficiency) of revenues over expenditures	1,509,985	(56,444)	(7,380,293)	(6,941,637)	(832,643)	(15,211,017)	(12,835,955)	
Other financing sources (uses)								
Debt issuance	-	-	-	16,000,000	-	16,000,000	16,000,000	
Sale of surplus assets	-	-	-	-	-	-	4,510	
Transfers in	-	-	550,000	-	-	550,000	718,230	
Transfers out	-	-	-	(400,745)	-	(400,745)	(1,640,408)	
Total other financing sources (uses)	-	-	550,000	15,599,255	-	16,149,255	15,082,332	
Net changes in fund balances	1,509,985	(56,444)	(6,830,293)	8,657,618	(832,643)	938,238	2,246,378	
Fund balances, beginning of year	7,838,599	791,012	9,028,755	-	-	9,819,767	20,958,109	
Fund balances, end of year	9,348,584	734,568	2,198,462	8,657,618	(832,643)	10,758,005	23,204,487	

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

SEVEN CENT GAS TAX SPECIAL REVENUE FUND

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
State shared taxes	157,000	157,000	150,246	(6,754)
Interest	100	100	314	214
Total revenues	157,100	157,100	150,560	(6,540)
Other financing uses				
Transfers out	(155,000)	(155,000)	(155,000)	-
Net changes in fund balances	2,100	2,100	(4,440)	(6,540)
Fund balances, beginning of year	54,996	54,996	54,996	-
Fund balances, end of year	57,096	57,096	50,556	(6,540)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL FOUR AND FIVE CENT GAS TAX SPECIAL REVENUE FUND

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
State shared taxes	123,000	123,000	118,264	(4,736)
Interest	100	100	263	163
Total revenues	123,100	123,100	118,527	(4,573)
Other financing uses				
Debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(125,000)	(125,000)	(125,000)	-
Net changes in fund balances	(1,900)	(1,900)	(6,473)	(4,573)
Fund balances, beginning of year	47,039	47,039	47,039	-
Fund balances, end of year	45,139	45,139	40,566	(4,573)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL TEN CENT GAS TAX SPECIAL REVENUE FUND

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
	\$	\$	\$	\$
Revenues				
State shared taxes	-	233,000	241,434	8,434
Interest	-	350	519	169
Total revenues	-	233,350	241,953	8,603
Other financing uses				
Transfers out	-	(200,000)	(241,434)	(41,434)
Net changes in fund balances	-	33,350	519	(32,831)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	-	33,350	519	(32,831)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL MUNICIPAL COURT JUDICIAL ADMINISTRATION FUND

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
Fines and forfeitures	135,000	135,000	111,527	(23,473)
Interest	2,000	2,000	5,954	3,954
Total revenues	<u>137,000</u>	<u>137,000</u>	<u>117,481</u>	<u>(19,519)</u>
Expenditures				
General government and administration	-	10,750	10,888	138
Capital outlay	-	167,000	154,595	(12,405)
Total expenditures	<u>-</u>	<u>177,750</u>	<u>165,483</u>	<u>(12,267)</u>
Excess (deficiency) of revenues over expenditures	137,000	(40,750)	(48,002)	(7,252)
Other financing uses				
Transfers out	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>-</u>
Net changes in fund balances	(413,000)	(590,750)	(598,002)	(7,252)
Fund balances, beginning of year	<u>973,708</u>	<u>973,708</u>	<u>973,708</u>	<u>-</u>
Fund balances, end of year	<u><u>560,708</u></u>	<u><u>382,958</u></u>	<u><u>375,706</u></u>	<u><u>(7,252)</u></u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL PUBLIC SAFETY SUBSTANCE ABUSE FUND

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
Contributions from the public	26,000	43,725	36,721	(7,004)
Interest	550	1,100	1,650	550
Total revenues	<u>26,550</u>	<u>44,825</u>	<u>38,371</u>	<u>(6,454)</u>
Expenditures				
Public safety	-	9,200	10,041	(841)
Capital outlay	30,000	37,763	23,763	14,000
Total expenditures	<u>30,000</u>	<u>46,963</u>	<u>33,804</u>	<u>13,159</u>
Excess (deficiency) of revenues over expenditures	(3,450)	(2,138)	4,567	6,705
Other financing sources				
Sale of surplus assets	-	4,500	4,510	10
Net changes in fund balances	(3,450)	2,362	9,077	6,715
Fund balances, beginning of year	<u>156,736</u>	<u>156,736</u>	<u>156,736</u>	<u>-</u>
Fund balances, end of year	<u><u>153,286</u></u>	<u><u>159,098</u></u>	<u><u>165,813</u></u>	<u><u>6,715</u></u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL SPECIAL 5-MILL TAX DEBT SERVICE FUND

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
General property tax	5,015,850	5,394,000	5,799,160	405,160
Interest	16,500	100,000	76,468	(23,532)
Total revenues	<u>5,032,350</u>	<u>5,494,000</u>	<u>5,875,628</u>	<u>381,628</u>
Expenditures				
Non-departmental	182,865	182,865	187,295	(4,430)
Debt service:				
Interest	3,342,306	4,177,746	4,177,520	226
Administrative charges	850	850	828	22
Total expenditures	<u>3,526,021</u>	<u>4,361,461</u>	<u>4,365,643</u>	<u>(4,182)</u>
Net changes in fund balances	1,506,329	1,132,539	1,509,985	377,446
Fund balances, beginning of year	<u>7,838,599</u>	<u>7,838,599</u>	<u>7,838,599</u>	-
Fund balances, end of year	<u><u>9,344,928</u></u>	<u><u>8,971,138</u></u>	<u><u>9,348,584</u></u>	<u><u>377,446</u></u>

NONMAJOR COMPONENT UNITS



PUBLIC PARK AND RECREATION BOARD

In October of 1990, the Auburn City Council authorized the establishment of a park and recreation board, primarily to act as an advisor to the Council concerning proposed recreation projects and to acquire such recreation facilities as may be deemed to be in the public interest.

All three Board members are appointed by the City Council, which maintains a significant degree of control over the Board's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the Board. The Public Park and Recreation Board is a proprietary fund type or business-type activity.

This component unit currently accounts for the operation of the Yarbrough Tennis Center, which opened in July 2007.

AUBURN DOWNTOWN REDEVELOPMENT AUTHORITY

The Auburn Downtown Redevelopment Authority was incorporated in February 1985 and all members are appointed by the City. It was established in order to aid in the revitalization and improvement of the central downtown business district. The Authority is charged with promoting the public good and general welfare, trade, commerce, industry, and employment opportunities by creating a climate favorable to the location of new industry, trade and commerce, and the development of existing industry, trade and commerce.

The City invested funds into the Authority to facilitate the redevelopment of downtown property. The Authority must repay the City, which indicates a financial benefit/burden relationship, as the City is legally entitled to the Authority's resources. The Auburn Downtown Redevelopment Authority is presented as a proprietary fund type or business-type activity.

DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS - STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2020

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	1,877	-	1,877
Receivables, net	15,052	-	15,052
Current portion of net investment in capital leases	-	38,385	38,385
Other current assets	3,419	-	3,419
Total current assets	20,348	38,385	58,733
Noncurrent assets			
Net investment in capital leases, net of current portion	-	1,209,602	1,209,602
Capital assets, net of accumulated depreciation	3,575,708	-	3,575,708
Total noncurrent assets	3,575,708	1,209,602	4,785,310
Total assets	3,596,056	1,247,987	4,844,043
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related	14,635	-	14,635
Pension related	38,103	-	38,103
Total deferred outflows of resources	52,738	-	52,738
LIABILITIES			
Current liabilities			
Accounts payable and other accrued liabilities	25,507	-	25,507
Current portion of long-term debt	-	38,385	38,385
Total current liabilities	25,507	38,385	63,892
Noncurrent liabilities			
Long-term debt and other liabilities	-	1,209,602	1,209,602
Net OPEB liability	34,257	-	34,257
Net pension liability	157,552	-	157,552
Total noncurrent liabilities	191,809	1,209,602	1,401,411
Total liabilities	217,316	1,247,987	1,465,303
DEFERRED INFLOWS OF RESOURCES			
OPEB related	2,061	-	2,061
Pension related	3,876	-	3,876
Total deferred inflows of resources	5,937	-	5,937
NET POSITION			
Net investment in capital assets	3,575,708	-	3,575,708
Unrestricted (deficit)	(150,167)	-	(150,167)
Total net position	3,425,541	-	3,425,541

DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	73,744	-	73,744
Miscellaneous	56,821	-	56,821
Total operating revenues	<u>130,565</u>	<u>-</u>	<u>130,565</u>
Operating expenses			
Salaries and wages	220,032	-	220,032
Employee benefits	65,393	-	65,393
Repairs and maintenance	53,100	-	53,100
Utilities	96,928	-	96,928
Rentals and leasing	1,498	-	1,498
Insurance	6,132	-	6,132
Office supplies	1,568	-	1,568
Professional services	1,097	-	1,097
Agricultural and chemical supplies	221	-	221
Depreciation/amortization	331,659	-	331,659
Minor equipment and tools	3,423	-	3,423
Total operating expenses	<u>781,051</u>	<u>-</u>	<u>781,051</u>
Operating income (loss)	<u>(650,486)</u>	<u>-</u>	<u>(650,486)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	43	12,030	12,073
Appropriations from the City of Auburn	251,867	-	251,867
Interest and fiscal charges	(3)	(12,030)	(12,033)
Loss on disposal of assets	-	-	-
Total non-operating revenues (expenses)	<u>251,907</u>	<u>-</u>	<u>251,907</u>
Change in net position	(398,579)	-	(398,579)
Net position--beginning of year	<u>3,824,120</u>	<u>-</u>	<u>3,824,120</u>
Net position--end of year	<u><u>3,425,541</u></u>	<u><u>-</u></u>	<u><u>3,425,541</u></u>

DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS - STATEMENT OF CASH FLOWS

AS OF SEPTEMBER 30, 2020

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	200,575	-	200,575
Payments to suppliers for goods and services	(162,688)	-	(162,688)
Payments to employees for services	(279,367)	-	(279,367)
Net cash provided (consumed) by operating activities (A)	(241,480)	-	(241,480)
Cash flows from noncapital financing activities			
Operating transfers in	251,867	-	251,867
Net cash provided (consumed) by noncapital financing activities	251,867	-	251,867
Cash flows from capital and related financing activities			
Interest and fiscal fees paid	(3)	(12,030)	(12,033)
Acquisition and construction of capital assets	(8,700)	-	(8,700)
Net cash provided (consumed) by capital and related financing activities	(8,703)	(12,030)	(20,733)
Cash flows from investing activities			
Interest on investments	43	12,030	12,073
Net cash provided (consumed) by investing activities	43	12,030	12,073
Net increase (decrease) in cash	1,727	-	1,727
Cash and cash equivalents, beginning of year	150	-	150
Cash and cash equivalents, end of year	1,877	-	1,877

Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):

Operating income (loss)	(650,486)	-	(650,486)
Add:			
Depreciation/amortization expense	331,659	-	331,659
Decrease in accounts receivable	70,011	-	70,011
Increase in accounts payable/accrued liabilities	1,985	-	1,985
Increase in pension related liabilities	15,323	-	15,323
Increase in OPEB liability	16,173	-	16,173
Less:			
Increase in deferred pension contributions	(4,409)	-	(4,409)
Increase in OPEB related deferred outflows	(12,935)	-	(12,935)
Decrease in pension related deferred inflows	(7,664)	-	(7,664)
Decrease in OPEB related deferred inflows	(432)	-	(432)
Increase in prepaid expenses	(705)	-	(705)
Net cash provided (consumed) by operating activities	(241,480)	-	(241,480)

AUBURN TOY DRIVE





CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

These schedules present supplementary information on capital assets by source, function and activity. In addition, the changes in capital assets from the prior fiscal year are presented by function and activity.

CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - SCHEDULE BY SOURCE

AS OF SEPTEMBER 30, 2020

Governmental funds capital assets	\$
Land, buildings and improvements	81,775,920
Construction in progress	50,231,973
Heavy equipment	4,083,397
Office equipment	6,132,859
Small tools and equipment	2,367,625
Vehicles	11,148,818
Infrastructure	230,245,185
Total governmental funds capital assets	<u>385,985,777</u>
Investment in governmental funds capital assets by source	
General fund revenues	217,500,461
Capital projects funds	95,156,930
Federal grants	18,846,786
State grants	237,711
Special revenue fund revenues	2,920,121
Donations	24,224,633
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	25,854,400
Total investment in governmental funds capital assets	<u>385,985,777</u>

CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - SCHEDULE BY FUNCTION AND ACTIVITY

AS OF SEPTEMBER 30, 2020

Function and Activity	Total	Land Buildings & Improvements	Easements	Construction in Progress	Heavy Equipment
	\$	\$	\$	\$	\$
General government and administration					
Information technology	4,121,989	27,021	-	673,798	44,608
Geographical information systems	275,827	14,835	-	-	-
Judicial	331,405	28,212	-	303,193	-
Administrative	804,841	776,772	-	-	-
Finance	1,523,926	6,272	-	665,672	-
Total general government and administration	7,057,988	853,112	-	1,642,663	44,608
Public works administration	248,265,112	6,000,567	6,577,265	12,152,909	1,369,056
Environmental services	1,524,404	950,004	-	-	90,577
Public safety administration	38,405,689	5,308,420	-	32,561,883	-
Fire	5,753,102	253,826	-	325,364	1,524,469
Police	5,491,796	147,250	-	-	7,795
Development Services ¹	7,860,429	257,146	-	48,640	416,118
Library	5,774,634	5,525,704	-	-	-
Parks and recreation	37,397,939	29,422,582	-	1,885,327	630,774
Human resources	1,252,475	932,676	-	-	-
Social and economic development ²	2,720,612	1,065,771	-	1,615,187	-
Total departmental	361,504,180	50,717,058	6,577,265	50,231,973	4,083,397
Nondepartmental	24,481,597	24,481,597	-	-	-
Total governmental funds capital assets	385,985,777	75,198,655	6,577,265	50,231,973	4,083,397

¹ Development Services includes the following departments : Engineering Services, Planning Services and Inspection Services.

² Social and economic development includes the following departments : Social and economic development and Community services.

CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - SCHEDULE BY FUNCTION AND ACTIVITY, CONT.

AS OF SEPTEMBER 30, 2020

Function and Activity	Office Equipment	Software	Small Tools and Equipment	Vehicles	Infrastructure
	\$	\$	\$	\$	\$
General government and administration					
Information technology	2,314,998	316,350	71,229	67,120	606,865
Geographical information systems	224,383	36,609	-	-	-
Judicial	-	-	-	-	-
Administrative	9,889	-	-	18,180	-
Finance	21,835	806,202	-	23,945	-
Total general government and administration	2,571,105	1,159,161	71,229	109,245	606,865
Public works administration	8,555	-	288,236	2,047,941	219,820,583
Environmental services	12,251	-	89,647	381,925	-
Public safety administration	7,785	365,956	-	20,319	141,326
Fire	182,394	-	778,934	2,688,115	-
Police	1,066,926	75,748	374,391	3,819,686	-
Development Services ¹	107,324	5,000	203,194	1,133,657	5,689,350
Library	243,300	-	-	-	5,630
Parks and recreation	10,350	-	561,994	905,481	3,981,431
Human resources	100,130	194,576	-	25,093	-
Social and economic development ²	22,298	-	-	17,356	-
Total departmental	4,332,418	1,800,441	2,367,625	11,148,818	230,245,185
Nondepartmental	-	-	-	-	-
Total governmental funds capital assets	4,332,418	1,800,441	2,367,625	11,148,818	230,245,185

¹ Development Services includes the following departments : Engineering Services, Planning Services and Inspection Services.

² Social and economic development includes the following departments : Social and economic development and Community services.

CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

AS OF SEPTEMBER 30, 2020

	Governmental Funds Capital Assets September 30, 2019	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2020
	\$	\$	\$	\$
General government and administration				
Information technology	3,958,968	260,567	(97,546)	4,121,989
Geographical information systems	275,827	-	-	275,827
Judicial	176,810	154,595	-	331,405
Administrative	804,841	-	-	804,841
Finance	1,376,387	147,539	-	1,523,926
Total general government and administration	6,592,833	562,701	(97,546)	7,057,988
Public works administration	231,583,820	35,875,362	(19,194,070)	248,265,112
Environmental services	1,524,404	-	-	1,524,404
Public safety administration	30,918,812	7,486,877	-	38,405,689
Fire	4,790,333	1,027,248	(64,479)	5,753,102
Police	4,993,509	1,015,476	(517,189)	5,491,796
Development Services ¹	7,557,017	438,938	(135,526)	7,860,429
Library	5,634,592	482,271	(342,229)	5,774,634
Parks and recreation	35,016,162	4,289,839	(1,908,062)	37,397,939
Human resources	1,230,111	22,364	-	1,252,475
Social and economic development ²	248,768	2,471,844	-	2,720,612
Total departmental	330,090,361	53,672,920	(22,259,101)	361,504,180
Nondepartmental	24,468,627	12,970	-	24,481,597
Total governmental funds capital assets	354,558,988	53,685,890	(22,259,101)	385,985,777

¹ Development Services includes the following departments : Engineering Services, Planning Services and Inspection Services.

² Social and economic development includes the following departments : Social and economic development and Community services.



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STATISTICAL SECTION

This section of the City of Auburn's comprehensive annual financial report presents detailed information about the government's economic condition. This section aids in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends – Tables 1-5..... 190

These schedules contain trend information to help the reader understand and assess how the government's financial position has changed over time.

Revenue Capacity – Tables 6-8..... 197

These schedules contain information to help the reader assess the government's most significant revenue source, sales tax.

Debt Capacity – Tables 9-13..... 198

These schedules contain information to help the reader assess the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information – Tables 14-15..... 201

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information – Tables 16-18..... 202

These schedules contain information to help the reader understand the government's operations and resources.

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.

NET POSITION BY ACTIVITY TYPE

TABLE 1 - LAST 10 FISCAL YEARS

	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
Primary government - governmental activities					
Net investment in capital assets	87,677,067	91,886,384	100,145,164	110,178,706	118,307,151
Restricted	11,418,353	12,643,443	12,142,108	10,706,845	92,735,176
Unrestricted ⁽¹⁾	(67,271,114)	(74,219,051)	(64,934,181)	(55,679,045)	(156,555,646)
Total governmental activities net position	31,824,306	30,310,776	47,353,091	65,206,506	54,486,681
Primary government - business-type activities					
Net investment in capital assets	25,570,257	26,690,464	29,798,149	33,236,208	37,097,393
Restricted	1,956,004	1,070,064	-	648,195	1,970,849
Unrestricted	818,835	5,052,411	7,194,747	7,361,470	5,291,163
Total business-type activities net position	28,345,096	32,812,939	36,992,896	41,245,873	44,359,405
Total primary government					
Net investment in capital assets	113,247,324	118,576,848	129,943,313	143,414,914	155,404,544
Restricted	13,374,357	13,713,507	12,142,108	11,355,040	94,706,025
Unrestricted ⁽¹⁾	(66,452,279)	(69,166,640)	(57,739,434)	(48,317,575)	(151,264,483)
Total primary government net position	60,169,402	63,123,715	84,345,987	106,452,379	98,846,086

⁽¹⁾ Please see the Net Position section of Management's Discussion and Analysis for details of negative unrestricted net position, including the large increase in 2015.

NET POSITION BY ACTIVITY TYPE, CONTINUED

TABLE 1 - LAST 10 FISCAL YEARS

	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$
Primary government - governmental activities					
Net investment in capital assets	149,544,640	172,516,412	187,712,319	204,319,205	219,751,610
Restricted	67,163,363	47,557,073	37,759,824	40,216,858	57,672,793
Unrestricted ⁽¹⁾	(160,132,588)	(161,544,320)	(155,137,517)	(145,725,727)	(174,068,887)
Total governmental activities net position	56,575,415	58,529,165	70,334,626	98,810,336	103,355,516
Primary government - business-type activities					
Net investment in capital assets	40,247,221	41,989,278	46,067,480	47,934,317	51,637,747
Restricted	509,425	2,266,933	2,266,933	3,501,441	3,711,650
Unrestricted	7,353,032	8,323,217	6,802,829	8,028,390	9,987,580
Total business-type activities net position	48,109,678	52,579,428	55,137,242	59,464,148	65,336,977
Total primary government					
Net investment in capital assets	189,791,861	214,505,690	233,779,799	252,253,522	271,389,357
Restricted	67,672,788	49,824,006	40,026,757	43,718,299	61,384,443
Unrestricted ⁽¹⁾	(152,779,556)	(153,221,103)	(148,334,688)	(137,697,337)	(164,081,307)
Total primary government net position	104,685,093	111,108,593	125,471,868	158,274,484	168,692,493

⁽¹⁾ Please see the Net Position section of Management's Discussion and Analysis for details of negative unrestricted net position, including the large increase in 2015.

CHANGES IN NET POSITION

TABLE 2 - LAST 10 FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses										
Governmental activities:										
General government and administration	6,696,333	6,882,510	7,292,682	7,986,358	8,880,442	9,009,933	9,943,090	9,610,859	9,111,307	11,211,997
Public works	7,176,200	7,087,489	7,212,310	7,253,198	7,600,358	8,743,085	9,360,886	8,763,899	8,107,414	9,603,058
Environmental services	1,759,158	1,903,429	2,097,261	2,180,362	2,201,278	2,272,010	2,392,134	2,670,295	1,580,881	1,793,232
Public safety	17,484,211	17,966,335	18,470,037	19,036,443	19,363,905	20,189,149	21,414,563	23,779,334	24,731,609	25,068,120
Library	1,641,371	1,686,566	1,708,144	1,684,288	1,770,379	1,845,480	1,954,493	2,093,484	2,451,281	2,574,545
Parks and recreation	5,611,356	5,607,803	5,520,692	5,861,786	6,207,847	6,389,142	6,826,158	7,046,091	7,251,125	6,872,513
Development Services ⁽¹⁾	573,462	562,555	635,202	669,831	583,137	594,714	768,847	786,636	5,520,532	5,723,548
Social and economic development	3,302,021	5,235,985	7,206,018	6,056,184	4,624,506	5,370,638	4,766,718	6,044,055	6,731,103	6,781,786
Human resources	702,065	698,236	725,083	755,927	742,752	2,244,797	2,341,425	2,422,500	6,754,450	6,736,121
Risk management	1,069,339	1,585,905	876,140	1,289,854	1,576,913	333,618	381,875	514,870	1,761,850	(1,908)
Education (payments to Board of Education)	14,624,398	35,412,033	15,850,759	16,350,759	24,505,586	60,918,952	47,502,333	35,438,202	22,584,281	48,988,527
Interest on long-term debt	5,914,822	5,753,942	5,420,673	4,968,931	4,772,926	7,253,215	7,041,045	7,494,434	7,815,868	8,484,353
Total governmental activities expenses	66,554,736	90,382,788	73,015,001	74,093,921	82,830,029	125,164,733	114,693,567	106,664,659	104,401,701	133,835,892
Business-type activities:										
Sewer Fund	8,173,912	8,038,127	7,470,780	7,960,070	8,639,882	8,387,444	8,705,876	9,169,743	9,527,438	9,149,637
Solid Waste Management Fund	3,522,953	3,757,884	3,948,022	4,145,364	4,112,900	4,380,090	4,576,422	5,149,644	5,418,704	5,078,039
Total business-type activities expenses	11,696,865	11,796,011	11,418,802	12,105,434	12,752,782	12,767,534	13,282,298	14,319,387	14,946,142	14,227,676
Total primary government expenses	78,251,601	102,178,799	84,433,803	86,199,355	95,582,811	137,932,267	127,975,865	120,984,046	119,347,843	148,063,568
Program Revenues										
Governmental activities:										
Charges for services:										
General government and administration	10,540,374	12,332,933	12,579,879	12,915,500	13,617,202	13,940,978	14,969,365	15,446,817	17,481,505	17,828,678
Public works	-	250	-	875	1,400	625	856	2,514	2,500	-
Public safety	3,677,033	3,203,403	4,208,044	4,220,666	4,318,581	4,750,953	5,344,659	6,323,383	6,491,175	6,570,954
Library	34,621	35,799	39,368	40,388	32,445	27,519	26,604	21,720	20,759	13,643
Parks and recreation	791,821	729,455	596,199	647,827	697,981	684,363	661,328	680,600	804,411	536,940
Development Services ⁽¹⁾	40,872	59,489	62,175	46,301	55,663	64,665	68,134	59,280	57,900	57,730
Human resources ⁽²⁾	-	-	-	-	-	-	945,484	1,001,385	4,427,491	4,671,444
Risk management ⁽²⁾	745,281	782,796	808,123	765,858	769,341	766,273	-	-	-	-
Operating grants and contributions	2,747,298	3,831,256	3,590,979	2,531,117	2,354,400	2,342,212	2,307,693	2,640,821	3,702,644	6,921,753
Capital grants and contributions	3,698,776	3,687,087	3,552,787	3,323,007	2,182,193	4,223,636	11,066,377	6,856,649	7,601,899	6,607,989
Total governmental activities program revenue	22,276,076	24,662,468	25,437,554	24,491,539	24,029,206	26,801,224	35,390,500	33,033,169	40,590,284	43,209,131
Business-type activities:										
Charges for services:										
Sewer Fund	9,493,840	10,938,292	10,448,380	11,063,939	11,528,965	11,526,093	12,064,021	11,656,139	12,293,123	13,145,358
Solid Waste Management Fund	2,961,625	3,590,771	3,898,217	4,198,990	4,482,532	4,560,179	4,843,280	4,898,906	5,071,198	5,125,924
Operating grants and contributions	21,595	19,369	44,553	43,332	-	5,383	672	288,986	380,231	101,375
Capital grants and contributions	373,520	244,653	1,177,207	681,000	1,741,381	458,185	860,763	716,235	830,250	1,378,980
Total business-type activities program revenues	12,850,580	14,793,085	15,568,357	15,987,261	17,752,878	16,549,840	17,768,736	17,560,266	18,574,802	19,751,637
Total primary government program revenues	35,126,656	39,455,553	41,005,911	40,478,800	41,782,084	43,351,064	53,159,236	50,593,435	59,165,086	62,960,768
Net (expense)/revenue										
Governmental activities	(44,278,660)	(65,720,320)	(47,577,447)	(49,602,382)	(58,800,823)	(98,363,509)	(79,303,067)	(73,631,490)	(63,811,417)	(90,626,761)
Business-type activities	1,153,715	2,997,074	4,149,555	3,881,827	5,000,096	3,782,306	4,486,438	3,240,879	3,628,660	5,523,961
Total primary government net expense	(43,124,945)	(62,723,246)	(43,427,892)	(45,720,555)	(53,800,727)	(94,581,203)	(74,816,629)	(70,390,611)	(60,182,757)	(85,102,800)

¹Historical data represents only Planning. As of FY2019, due to the City reorganization, data includes Development Services Admin, Planning, and Inspections.

²In FY17, charges for employee health and dental insurance premiums were regrouped from Risk Management to Human Resources.

CHANGES IN NET POSITION, CONTINUED

TABLE 2 - LAST 10 FISCAL YEARS

General Revenues and Other Changes in Net Position	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government activities:										
Taxes:										
Sales taxes	22,987,406	30,890,400	31,831,180	34,303,569	37,418,331	39,672,910	39,648,005	42,010,312	43,804,081	43,838,542
Occupational license fees	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,046	12,068,066	12,894,663	13,286,009	13,829,887
Property taxes	20,966,105	21,424,164	20,971,590	21,645,465	22,486,529	23,782,006	25,187,386	27,098,517	29,527,483	32,475,761
Motor fuel taxes	293,425	311,846	311,022	340,415	365,345	383,488	386,296	416,979	430,659	384,207
Lodging taxes	1,371,789	1,914,441	1,559,012	1,604,851	1,816,370	2,247,771	2,355,985	2,373,878	2,581,728	1,900,502
Rental and leasing taxes	473,732	515,164	571,248	612,457	768,245	799,550	890,599	886,630	856,729	985,837
Cigarette taxes	79,304	77,145	75,880	70,860	73,306	69,249	66,528	60,033	54,075	55,060
Alcoholic beverage taxes	131,668	142,503	160,725	170,559	180,604	202,213	215,281	230,642	220,932	240,033
Appropriations from component units	-	-	333,591	-	-	-	-	-	-	-
Interest and investment earnings	362,808	241,936	287,977	327,499	488,820	729,863	505,746	965,995	1,967,021	1,345,326
Gain (loss) on disposal of assets	33,639	64,005	-	68,237	-	-	(221,202)	125,796	-	41,621
Miscellaneous	31,441	29,967	34,558	63,801	40,790	81,981	43,522	130,222	28,750	237,085
Transfers	(248,354)	(626,769)	(464,859)	(309,019)	130,979	118,755	110,605	559,003	(458,983)	(161,923)
Total governmental activities	55,516,406	64,206,783	65,355,816	69,028,763	74,573,521	79,648,832	81,256,817	87,752,670	92,298,484	95,171,938
Business-type activities:										
Interest and investment earnings	48,728	33,440	32,518	33,809	34,395	41,216	36,533	77,277	140,496	104,210
Gain (loss) on disposal of assets	(754)	9,820	20,789	22,700	78,422	21,770	40,403	19,350	68,571	61,180
Miscellaneous	7,656	6,085	2,246	5,622	7,326	23,736	16,982	6,594	30,196	21,555
Transfers	248,354	626,769	464,859	309,019	(130,979)	(118,755)	(110,605)	(559,003)	458,983	161,923
Total business-type activities	303,984	676,114	520,412	371,150	(10,836)	(32,033)	(16,687)	(455,782)	698,246	348,868
Total primary government	55,820,390	64,882,897	65,876,228	69,399,913	74,562,685	79,616,799	81,240,130	87,296,888	92,996,730	95,520,806
Changes in Net Position										
Governmental activities	11,237,746	(1,513,537)	17,778,369	19,426,381	15,772,698	(18,714,677)	1,953,750	14,121,180	28,487,067	4,545,177
Business-type activities	1,457,699	3,673,188	4,669,967	4,252,977	4,989,260	3,750,273	4,469,751	2,785,097	4,326,906	5,872,829
Total primary government	12,695,445	2,159,651	22,448,336	23,679,358	20,761,958	(14,964,404)	6,423,501	16,906,277	32,813,973	10,418,006

GENERAL GOVERNMENT TAX REVENUES BY SOURCE

TABLE 3 - LAST 10 FISCAL YEARS

Fiscal Year	Sales & Use Tax	Cigarette & Alcohol Tax	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
2011	22,987,405	260,180	818,351	1,839,015	184,886	126,685	20,333,624	46,550,146
2012	30,890,400	272,790	876,592	1,958,908	173,972	129,888	20,503,864	54,806,415
2013	31,831,180	292,605	871,498	2,126,307	147,553	137,809	20,271,550	55,678,502
2014	34,303,571	286,155	931,515	2,217,307	159,641	143,293	20,900,546	58,942,028
2015	37,418,331	303,455	991,613	2,584,615	279,282	146,908	21,746,672	63,470,876
2016	39,672,910	313,559	1,035,475	3,045,852	237,816	199,691	22,987,066	67,492,369
2017	39,648,005	312,323	1,044,000	3,246,585	356,709	160,200	24,296,138	69,063,959
2018	42,010,312	312,530	1,105,009	3,260,509	295,199	165,591	26,131,893	73,281,043
2019	43,745,426	286,298	1,136,674	3,438,250	541,525	172,365	28,544,944	77,865,481
2020	43,683,711	326,334	1,265,901	2,882,659	507,305	164,676	31,340,382	80,170,968

FUND BALANCES OF GOVERNMENTAL FUNDS

TABLE 4 - LAST 10 FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Nonspendable	7,504,505	7,038,187	6,753,924	9,998,365	15,992,698	19,776,701	6,954,036	7,022,566	4,559,530	7,279,386
Restricted	176,679	237,639	298,192	341,705	343,988	343,769	305,255	313,696	2,231,277	236,054
Assigned	4,854,720	4,778,855	2,840,828	6,565,787	5,649,101	4,788,112	8,557,221	13,872,942	17,234,592	28,638,302
Unassigned	16,489,870	20,973,636	29,025,058	25,574,688	22,328,970	24,486,213	31,873,117	31,203,543	32,338,918	29,721,417
Total general fund	<u>29,025,774</u>	<u>33,028,317</u>	<u>38,918,002</u>	<u>42,480,545</u>	<u>44,314,757</u>	<u>49,394,795</u>	<u>47,689,629</u>	<u>52,412,747</u>	<u>56,364,317</u>	<u>65,875,159</u>
All other governmental funds										
Nonspendable	560,000	-	-	-	-	-	-	-	-	-
Restricted	10,015,439	13,631,350	13,152,780	9,496,112	90,168,804 ⁽¹⁾	49,118,334	42,164,339	58,916,615	42,040,085	62,300,179
Unassigned	-	(347,364)	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>10,575,439</u>	<u>13,283,986</u>	<u>13,152,780</u>	<u>9,496,112</u>	<u>90,168,804</u>	<u>49,118,334</u>	<u>42,164,339</u>	<u>58,916,615</u>	<u>42,040,085</u>	<u>62,300,179</u>

⁽¹⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

TABLE 5 - LAST 10 FISCAL YEARS

	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	22,987,406	30,890,400	31,831,180	34,303,571	37,418,331
Occupational license fees	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202
Motor fuel taxes	576,855	612,720	610,968	669,550	719,367
Lodging taxes	1,371,789	1,914,441	1,559,012	1,604,850	1,816,370
Rental and leasing taxes	473,732	515,164	571,248	612,457	768,245
Other taxes	210,972	219,648	236,605	241,419	253,910
Licenses and permits	8,860,187	10,222,535	10,210,208	10,638,252	11,302,434
General property tax	20,966,105	21,424,165	20,971,590	21,645,466	22,486,529
Charges for services	5,777,642	5,544,334	6,428,631	6,439,547	6,743,621
Fines and forfeitures	1,247,137	1,452,953	1,636,516	1,579,802	1,420,812
State shared taxes	1,057,737	1,278,040	2,016,806	1,279,503	1,424,458
Contributions from the public	1,624,491	600,544	1,014,850	1,826,242	668,974
Grants	2,205,074	2,959,710	2,711,021	1,807,224	3,318,443
Program income	385,822	305,363	609,879	517,638	474,915
Interest	362,808	241,936	287,977	327,498	488,821
Miscellaneous	71,438	61,489	68,275	97,957	64,914
Total revenues	77,212,638	87,465,423	90,448,658	93,721,045	100,174,346
Expenditures					
General government and administration	4,821,147	4,900,632	4,971,598	5,857,396	5,687,183
Public works	3,751,109	3,528,928	3,568,302	3,497,655	3,577,600
Environmental services	1,665,499	1,806,656	1,956,168	2,031,430	1,999,822
Public safety	16,692,869	17,164,517	17,753,502	18,067,357	18,521,534
Library	1,455,630	1,503,734	1,622,482	1,539,862	1,619,702
Parks and recreation	4,714,322	4,788,245	4,684,929	4,862,432	4,975,692
Development Services ⁽¹⁾	573,465	562,214	635,402	671,214	582,693
Social and Economic Development ⁽²⁾	2,035,324	3,005,858	2,158,634	2,381,356	2,351,410
Human Resources ⁽³⁾	655,029	642,122	675,100	696,740	692,462
Risk management	1,269,056	1,301,944	1,048,527	1,356,823	1,660,020
Non-departmental	1,915,070	1,978,998	2,056,603	2,210,562	2,561,619
Debt service					
Principal	10,464,788	13,013,380	12,501,691	13,094,561	11,953,556
Interest	6,049,543	6,256,774	5,726,573	5,272,797	5,548,480
Capital Outlay	5,774,421	7,261,516	10,830,762	11,432,511	10,246,657
Intergovernmental	876,083	921,568	1,034,319	951,428	1,069,266
Payments to component units	15,755,842	38,546,879 ⁽⁴⁾	20,404,444	19,679,683	26,858,347 ⁽⁵⁾
Total expenditures	78,469,197	107,183,965	91,629,036	93,603,807	99,906,043
Excess of revenues over (under) expenditures	(1,256,559)	(19,718,542)	(1,180,378)	117,238	268,303
Other financing sources (uses)					
Debt issuance	-	24,325,835	5,525,000	-	94,638,169 ⁽⁶⁾
Refunding	-	27,879,100	-	-	-
Sale of surplus assets	33,639	64,006	1,878,717	97,656	150,243
Transfers in	565,234	509,453	681,045	1,354,436	6,707,462
Transfers out	(813,589)	(1,196,222)	(1,145,905)	(1,663,455)	(6,576,483)
Premium on debt issued	-	4,147,158	-	-	-
Payment to refunded bond escrow	-	(29,299,697)	-	-	(12,680,790)
Total other financing sources (uses)	(214,716)	26,429,633	6,938,857	(211,363)	82,238,601
Net changes in fund balances	(1,471,275)	6,711,091	5,758,479	(94,125)	82,506,904
Debt service as a percentage of non-capital expenditures ⁽⁷⁾					
	22.7%	19.3%	22.6%	22.4%	19.5%

¹ Historical data represents only the Planning department, as of FY2019 due to the City reorganization Development Services encompasses Planning, Engineering Services, and Development Services Admin

² Historical data represents only the Economic Development department, as of FY2019 due to the City reorganization Social and Economic Development encompasses Economic Development and Community Services

³ AS of FY2019 Employee Services has been renamed Human Resources

⁴ This increase was due to the issuance of \$18.5 million in warrants for the Board of Education.

⁵ This increase was due to transfers of debt proceeds issued in fiscal 2015 for the Board of Education and held by the City. Transfers of the proceeds are made as construction progresses on the construction of a new high school.

⁶ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

⁷ Non-capital expenditures equals total expenditures less capital outlay.

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

TABLE 5 - LAST 10 FISCAL YEARS

	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	39,672,910	39,648,007	42,010,313	43,804,081	43,838,542
Occupational license fees	11,561,047	12,068,066	12,894,664	13,286,009	13,829,887
Motor fuel taxes	755,217	760,818	821,995	848,822	755,957
Lodging taxes	2,247,771	2,355,985	2,373,879	2,581,724	1,900,502
Rental and leasing taxes	799,550	890,599	886,630	856,729	985,837
Other taxes	271,462	281,809	290,677	275,007	295,093
Licenses and permits	11,856,992	12,893,642	13,372,006	15,188,191	15,704,555
General property tax	23,782,005	25,187,386	27,098,517	29,527,483	32,475,761
Charges for services	7,086,335	7,901,167	8,983,737	12,863,016	12,999,117
Fines and forfeitures	1,241,661	1,140,361	1,169,369	1,217,691	961,963
State shared taxes	1,455,324	1,515,559	1,818,616	2,728,550	4,034,739
Contributions from the public	1,611,684	2,241,224	1,187,166	1,030,233	897,736
Grants	820,258	3,537,706	2,235,880	1,761,088	2,828,665
Program income	287,464	362,754	1,260,228	524,711	286,633
Interest	729,862	505,747	965,995	1,967,021	1,345,326
Miscellaneous	85,438	47,753	132,886	30,599	238,124
Total revenues	104,264,980	111,338,583	117,502,558	128,490,955	133,378,437
Expenditures					
General government and administration	6,089,761	6,424,142	5,463,983	5,676,946	5,792,994
Public works	4,101,467	4,414,820	4,485,980	3,518,894	4,868,894
Environmental services	2,085,786	2,233,367	2,481,087	1,590,544	1,734,247
Public safety	19,322,321	20,420,507	22,505,037	24,463,675	23,900,423
Library	1,705,483	1,795,959	1,934,631	2,297,433	2,405,973
Parks and recreation	5,501,434	5,693,864	5,716,886	5,837,058	5,460,467
Development Services ⁽¹⁾	592,471	765,579	785,640	5,118,011	5,189,569
Social and Economic Development ⁽²⁾	1,551,178	1,502,143	3,438,973	4,020,308	4,119,737
Human Resources ⁽³⁾	2,186,194	2,254,673	2,349,094	6,798,012	6,648,145
Risk management	360,932	299,416	443,694	415,129	270,056
Non-departmental	2,845,963	2,816,728	3,564,722	3,026,233	3,519,180
Debt service					
Principal	11,023,833	10,051,635	10,589,055	9,885,744	9,959,683
Interest	7,243,523	7,365,924	7,723,256	8,295,342	8,942,350
Capital Outlay	10,844,770	21,258,053	19,986,449	34,272,664	26,709,298
Intergovernmental	1,037,158	1,258,457	1,596,787	1,777,751	1,682,635
Payments to component units	64,065,542 ⁽⁵⁾	49,698,750	37,030,288	24,093,271	50,206,826
Total expenditures	140,557,816	138,254,017	130,095,562	141,087,015	161,410,477
Excess of revenues over (under) expenditures	(36,292,836)	(26,915,434)	(12,593,004)	(12,596,060)	(28,032,040)
Other financing sources (uses)					
Debt issuance	-	18,000,000	33,337,726	5,259,668	53,090,000
Refunding	-	-	-	-	14,625,000
Sale of surplus assets	64,678	145,670	171,669	88,582	103,750
Transfers in	1,906,217	685,412	2,536,444	618,701	1,806,107
Transfers out	(1,787,462)	(574,808)	(1,977,441)	(1,077,684)	(1,968,029)
Premium on debt issued	-	-	-	-	4,771,149
Payment to refunded bond escrow	-	-	-	(5,218,168)	(14,625,000)
Total other financing sources (uses)	183,433	18,256,274	34,068,398	(328,901)	57,802,977
Net changes in fund balances	(36,109,403)	(8,659,160)	21,475,394	(12,924,961)	29,770,937
Debt service as a percentage of non-capital expenditures ⁽⁷⁾	14.1%	14.9%	16.6%	17.0%	14.0%

¹ Historical data represents only the planning department, as of FY2019 due to the City reorganization Development Services encompasses Planning, Engineering Services, and Development Services Admin

² Historical data represents only the Economic Development Department, as of FY2019 due to the City reorganization Social and Economic Development encompasses Economic Development and Community Services

³ AS of FY2019 Employee Services has been renamed Human Resources

⁴ This increase was due to the issuance of \$18.5 million in warrants for the Board of Education.

⁵ This increase was due to transfers of debt proceeds issued in fiscal 2015 for the Board of Education and held by the City. Transfers of the proceeds are made as construction progresses on the construction of a new high school.

⁶ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

⁷ Non-capital expenditures equals total expenditures less capital outlay.

COMPONENTS OF SALES TAX BASE

TABLE 6 - LAST 10 FISCAL YEARS (UNAUDITED)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	68,169	66,354	67,768	51,655	56,558	53,115	52,416	50,342	49,418	39,333
Grocery Stores	70,663	77,901	88,493	122,960 ⁽¹⁾	130,561	146,793	164,818	169,942	125,006	157,037
Eating & Drinking Establishments	148,302	131,813	144,085	153,152	166,863	184,695	191,206	200,133	218,815	204,584
Mass General Merchandise Stores	122,437	116,691	111,335	81,345 ⁽¹⁾	85,900	87,640	90,626	93,225	97,982	144,825
Auto Dealers & Supplies	42,278	38,291	39,471	48,882	52,936	53,992	55,658	57,961	60,323	62,516
Building Materials	26,698	36,185	45,462	46,000	51,865	55,841	60,923	66,589	72,875	83,195
Home Furnishing & Appliances	11,126	12,477	17,343	18,209	20,302	24,702	25,399	31,690	31,268	30,385
All Other Retail Sales	273,606	289,079	281,822	313,376	335,521	368,646	333,866	364,157	439,787	395,028
Totals	763,279	768,791	795,780	835,579	900,507	975,424	974,912	1,034,039	1,095,474	1,116,902

⁽¹⁾ Beginning in FY14 the total sales of big box retailers are split between "Grocery Stores" and "Mass General Merchandise Stores".

REVENUE RATES FOR GENERAL SALES TAX

TABLE 7 - LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	City Sales Tax	County Sales Tax	State Sales Tax	Total Sales Tax
2011	4.0%	1.0%	4.0%	9.0%
2012	4.0%	1.0%	4.0%	9.0%
2013	4.0%	1.0%	4.0%	9.0%
2014	4.0%	1.0%	4.0%	9.0%
2015	4.0%	1.0%	4.0%	9.0%
2016	4.0%	1.0%	4.0%	9.0%
2017	4.0%	1.0%	4.0%	9.0%
2018	4.0%	1.0%	4.0%	9.0%
2019	4.0%	1.0%	4.0%	9.0%
2020	4.0%	1.0%	4.0%	9.0%

Source: State of Alabama Department of Revenue

PRINCIPAL REVENUE REMITTERS OF SALES AND USE TAX

TABLE 8 - LAST 10 FISCAL YEARS (UNAUDITED)

Employer	2011	2020
	Rank	Rank
Wal-Mart Store	1	1
Sam's Club	3	2
Kroger	4	3
Auburn University Financial Reporting	2	4
Publix - Cary Creek (Opened 2012)	-	5
Publix - Moore's Mill	6	6
Builders First Source SE (formerly Waid True Value)	-	7
Auburn University Dining (Chartwells and Aramark)	7	8
Academy Sports	5	9
Wal-Mart Market - East University (Opened 2016)	-	10

State law prohibits the disclosure of the amount of sales tax remitted and any information that could enable the disclosure or calculation of confidential taxpayer information.

RATIOS OF OUTSTANDING DEBT BY TYPE

TABLE 9 - LAST 10 FISCAL YEARS (UNAUDITED)

DOLLAR AMOUNTS EXPRESSED PER THOUSAND, EXCEPT FOR PER CAPITA AMOUNT

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government		
	General Obligation Bonds	Notes Payable	General Obligation Bonds ⁽¹⁾	Total Debt Primary Government	Total Debt as Percentage of Personal Income	Total Debt Per Capita
	\$	\$	\$	\$		\$
2011	129,760	-	44,608	174,368	13.04%	3,196
2012	143,704	1,500	49,528	194,732	14.76%	3,519
2013	140,564	1,585	48,130	190,279	13.19%	3,365
2014	127,035	1,782	45,899	174,716	12.48%	3,023
2015 ⁽²⁾	196,429	3,143	46,755	246,327	15.91%	3,961
2016	184,967	2,965	44,127	232,059	14.81%	3,739
2017	192,494	2,787	41,333	236,614	13.87%	3,572
2018	214,785	2,608	38,419	255,812	14.34%	3,914
2019	204,506	2,428	35,142	242,076	13.05%	3,614
2020 ⁽³⁾	251,040	2,248	32,021	285,309	14.66%	4,180

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ The City has issued General Obligation Bonds/Warrants for the Sewer Revenue Fund. It is the intention of the Council that the Bonds/Warrants be repaid from Sewer Fund revenue.

⁽²⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

⁽³⁾ This increase was due primarily to the issuance of \$37.1 million in bonds for the Board of Education's construction of a new school.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

TABLE 10 - LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt ⁽¹⁾	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt per Capita
	\$	\$	\$		\$
2011	129,759,735	3,723,922	126,035,813	15.80%	2,310
2012	143,704,141 ⁽²⁾	3,540,270	140,163,871	17.49%	2,533
2013	140,564,282	3,019,959	137,544,323	17.25%	2,432
2014	128,817,154	2,477,786	126,339,368	16.27%	2,186
2015	199,571,962 ^(3,4)	2,531,934	197,040,028	24.47%	3,169
2016	187,931,805	3,776,254	184,155,551	21.74%	2,967
2017	195,281,110 ⁽⁵⁾	4,717,407	190,563,703	21.24%	2,966
2018	217,392,835 ⁽⁶⁾	6,018,214	211,374,621	21.84%	3,234
2019	206,934,171 ⁽⁷⁾	7,838,599	199,095,572	18.88%	2,972
2020	253,287,999	9,348,584	243,939,415	20.92%	3,574

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ Net bonded debt equals: G.O. bonds, notes, and warrants outstanding (net of related premiums, discounts, and adjustments), less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from sewer fund revenues.

⁽²⁾ City issued \$18.5 million of G.O. Warrants to pay the costs of new school construction under the jurisdiction of the Board of Education.

⁽³⁾ City issued \$31.99 million of G.O. Warrants to refund outstanding debt and provide for school improvements.

⁽⁴⁾ City issued \$78.145 million of G.O. Bonds to pay the costs of new school construction, capital improvements to existing schools and land purchases, under the jurisdiction of the Board of Education.

⁽⁵⁾ City issued \$18 million of G.O. Warrants to pay the costs of new school construction and equipment, under the jurisdiction of the Board of Education.

⁽⁶⁾ City issued \$30.61 million of G.O. Warrants to pay the costs of construction of a new public safety complex.

⁽⁷⁾ City issued \$14.91 million of G.O. Warrants to refund outstanding debt.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

TABLE 11 - FISCAL YEAR 2020

	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 253,287,999	100%	\$ 253,287,999
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 32,889,482	40%	13,240,402
Total Direct and Overlapping Debt			\$ 266,528,401

Sources: General bonded debt and warrants provided by the Lee County Administrator.

⁽¹⁾The percentage of overlapping Lee County debt applicable is estimated based on estimated population of the City of Auburn as compared to estimated overall population in Lee County. Alabama Center for Business Research 2018.

LEGAL DEBT MARGIN INFORMATION

TABLE 12 - LAST 10 FISCAL YEARS (UNAUDITED)
DOLLAR AMOUNTS EXPRESSED IN THOUSANDS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	159,565	160,252	159,516	155,255	167,626	169,409	179,407	193,538	210,863	233,217
Total net debt applicable to limit	64,479	60,974	56,673	46,895	38,387	31,083	24,897	49,634	44,659	55,855
Legal debt margin	95,086	99,278	102,843	108,360	129,239	138,326	154,510	143,904	166,204	177,362
Total net debt applicable to limit as a percentage of debt limit	40.41%	38.05%	35.53%	30.21%	22.90%	18.35%	13.88%	25.65%	21.18%	23.95%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	\$ 1,166,085,960
Debt limit (20% of total assessed value)	\$ 233,217,192
Debt applicable to limit:	
General obligation bonds	\$ 268,905,961
Less: Exempt Debt	213,050,628
Total net debt applicable to limit	55,855,333
Legal debt margin	\$ 177,361,859

PLEGGED REVENUE COVERAGE

TABLE 13 - LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Sewer G.O. Warrants ⁽¹⁾					
	Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue (A)	Principal (B)	Interest (C)	Coverage ⁽⁴⁾ A/(B+C)
	\$	\$	\$	\$	\$	
2011	9,549,042	4,570,730	4,978,312	1,105,000	2,089,603	1.56
2012	10,978,794	4,465,603	6,513,191	1,155,000	1,983,951	2.07
2013	10,510,245	4,074,714	6,435,531	2,110,000	1,792,555	1.65
2014	11,106,938	3,868,822	7,238,116	2,140,000	2,074,208	1.72
2015	11,631,200	4,443,489	7,187,711	2,205,000	2,147,458	1.65
2016	11,587,751	4,270,841	7,316,910	2,395,000	1,765,887	1.76
2017	12,129,675	4,521,369	7,608,306	2,560,000	1,672,393	1.80
2018	11,731,016	5,194,755	6,536,261	2,680,000	1,537,888	1.55
2019	12,461,731	5,363,556	7,098,175	2,788,000	1,349,769	1.72
2020	13,314,680	5,143,992	8,170,688	2,936,000	1,192,720	1.98

⁽¹⁾ General Obligation warrants issued but paid by Sewer Service Fee revenue.

⁽²⁾ Includes sewer service charges, tapping fees, sewer access fees, gains on property disposals and other non-operating revenues.

⁽³⁾ Includes operating expenses and operating transfers out less depreciation expense.

⁽⁴⁾ Coverage illustrates the Sewer Fund's ability to pay its debt service. A ratio of one or greater indicates sufficient earnings to cover the debt payments.

DEMOGRAPHIC AND ECONOMIC STATISTICS

TABLE 14 - LAST 10 FISCAL YEARS (UNAUDITED)

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Personal Income (expressed in thousands) ⁽³⁾	Unemployment Rate ⁽⁴⁾
		\$	\$	
2011	54,927	29,800	1,636,825	7.0%
2012	57,058	30,332	1,730,683	5.7%
2013	58,582	30,499	1,786,692	4.9%
2014	60,258	33,064	1,992,371	4.9%
2015	62,059	33,622	2,086,548	4.9%
2016	63,118	34,372	2,169,492	4.9%
2017	63,973	36,941	2,363,227	4.9%
2018	65,378	38,036	2,486,718	3.5%
2019	66,259	39,781	2,635,849	2.9%
2020	*	*	*	5.4%

(1) U. S. Census Bureau

(2) U. S. Department of Commerce, Bureau of Economic Analysis (data reported for Auburn-Opelika MSA)

(3) "Population" multiplied by "Per Capita Personal Income"

(4) U.S. Bureau of Labor Statistics

* Data not available at time of publication

PRINCIPAL EMPLOYERS

TABLE 15 - CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

Employer	2011			2020		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University ⁽¹⁾	5,500	1	20.15%	8,871	1	30.12%
Auburn City Schools	900	2	3.30%	1,010	2	3.43%
City of Auburn and Auburn Water Works Board	760	3	2.78%	732	3	2.49%
SiO2 Medical Products, Inc.	-	-	0.00%	640	4	2.17%
Briggs & Stratton Corporation	600	4	2.20%	630	5	2.14%
Aptar CSP Technologies, Inc.	-	-	0.00%	455	6	1.54%
SCA, Inc.	300	8	1.10%	350	7	1.19%
Wal-Mart Supercenter	350	5	1.28%	320	8	1.09%
Seohan Auto USA Corp./Seohan-NTN Driveshaft USA Corp.	-	-	0.00%	270	9	0.92%
Nashville Wire Products Mfg. Company, Inc	-	-	0.00%	185	10	0.63%
Total	8,410		30.80%	13,463		45.71%

(1) Includes temporary and seasonal employees.

Source: City of Auburn Economic Development Department, Alabama Department of Labor

REGULAR FULL-TIME EMPLOYEES BY FUNCTION/PROGRAM

TABLE 16 - LAST 10 FISCAL YEARS (UNAUDITED)

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government and Administration ⁽¹⁾	81	81	77	76	76	76	77	77	46	46
Public Works ⁽²⁾										
Administration	-	-	-	-	-	-	-	-	3	3
Maintenance	-	-	-	-	-	-	-	-	9	7
Facilities	-	-	-	-	-	-	-	-	4	4
Construction ⁽³⁾	18	18	18	18	18	18	19	38	9	10
Landscape and Sustainability	-	-	-	-	-	-	-	-	10	8
Right of Way	7	7	7	7	7	7	7	0	7	13
Inspection	6	6	6	6	6	6	7	7	-	-
Traffic Engineering	3	3	3	3	4	4	5	5	-	-
Environmental Services										
Administration	-	-	-	-	-	-	-	-	5	4
Recycling	16	16	16	16	16	16	16	16	15	16
Solid Waste	16	16	16	16	16	16	16	16	17	17
Animal Control	2	2	2	2	2	2	3	3	3	3
Fleet Services	10	10	10	10	10	10	10	10	10	10
Public Safety										
Administration	-	-	-	-	-	-	-	-	3	3
Police	113	113	115	116	116	117	129	142	143	156
Communications	11	11	11	11	11	13	13	13	13	14
Fire	43	43	43	43	43	43	43	43	49	49
Library	17	17	17	18	19	19	19	19	19	19
Parks and Recreation										
Administration	-	-	-	-	-	-	-	-	5	5
Leisure Services	15	15	15	15	16	17	17	19	17	14
Parks and Facilities	26	26	26	26	26	26	26	23	23	23
Development Services										
Administration	-	-	-	-	-	-	-	-	3	3
Planning ⁽⁴⁾	-	-	-	-	-	-	-	-	7	7
Inspection Services ⁽⁵⁾	9	8	8	8	8	9	10	13	14	15
Engineering Services ⁽⁶⁾	11	11	11	11	11	11	9	13	25	26
Social and Economic Development										
Economic Development	13	12	12	12	12	12	12	13	9	9
Community Services ⁽⁷⁾	-	-	-	-	-	-	-	-	4	4
Human Resources ⁽⁸⁾	-	-	-	-	-	-	-	-	6	6
Risk Management ⁽⁸⁾	-	-	-	-	-	-	-	-	2	2
Sewer ⁽⁹⁾										
Administration	-	-	-	-	-	-	-	-	6	8
Sewer Maintenance ⁽¹⁰⁾	16	17	17	17	19	21	20	18	16	16
Line Locating	-	-	-	-	-	-	-	-	4	4
Watershed Maintenance	-	-	-	-	-	-	-	-	3	4
Total	433	432	430	431	436	443	458	488	509	528

Source: City of Auburn Human Resources Department

Due to the City Reorganization the following changes have been made:

- (1) As of FY2019 all administration divisions have been removed from General Government and Administration and placed in their respective departments
- (2) As of FY2019, Public Works is now five divisions: Maintenance, Facilities, Construction, Landscape and Sustainability, and Right of Way
- (3) Environmental Services-Right of Way and Parks and Recreation-Parks and Facilities employees moved to the Public Works-Construction and Maintenance division, and seven temporary part-time positions were converted to regular-full time
- (4) As of FY2019, Planning is no longer reported with General Government and Administration
- (5) As of FY2019, Inspection Services (Codes Enforcement) is no longer a division of the Public Safety Department
- (6) As of FY2019, PW-Traffic Engineering and Public Works-Inspections were transitioned to Engineering Services
- (7) As of FY2019, Community Services has been transitioned out of Economic Development
- (8) As of FY2019, Human Resources and Risk Management have been transitioned out of General Government and Administration
- (9) As of FY2019, Sewer-Administration and Watershed Maintenance transitioned out of General Government and Administration
- (10) As of FY2019, Sewer Maintenance was split into two divisions, Sewer Maintenance and Line Locating

OPERATING INDICATORS BY FUNCTION/PROGRAM

TABLE 17 - LAST 10 FISCAL YEARS (UNAUDITED)

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Physical arrests	2,712	3,096	3,053	3,102	3,679	2,957	2,612	2,703	3,133	2,265
Traffic violations	23,736	25,016	21,510	18,557	21,805	16,518	26,970	27,357	29,446	25,004
Calls for service	*	*	*	*	*	184,429	211,860	248,030	246,303	258,511
Fire										
Number of calls answered	4,065	4,303	4,367	4,948	4,950	5,532	5,900	5,850	6,000	5,880
Inspections	1,391	1,559	1,760	1,879	1,946	1,750	2,170	2,170	2,184	1,500
Public Works										
Potholes repaired	625	454	70	87	18	23	19	42	110	78
Environmental Services										
Refuse collected (tons/day) ⁽¹⁾	104	103	102	101	104	108	112	116	115	119
Recyclable collected (tons/day) ⁽¹⁾	4.40	5.82	5.60	4.96	5.03	5.09	5.21	6.65	9.21	11.24
Parks and Recreation										
Athletic participants	2,964	4,540	4,478	6,069	6,846	15,002 ⁽²⁾	17,159	15,818	16,119	3,578
Recreation center admissions	150,690	164,888	241,042	292,933	216,416	379,704 ⁽²⁾	434,806	456,356	377,644	163,807
Sewer										
Average daily sewage treatment (millions of gallons)	6.02	6.28	6.70	7.54	7.50	7.56	8.06	8.46	8.60	9.55

Source: City departments

* New operating indicator for 2016

⁽¹⁾Each year consists of 251 work days.

⁽²⁾Represents a change in methodology

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

TABLE 18 - LAST 10 FISCAL YEARS (UNAUDITED)

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety											
Police Stations	1	1	1	1	1	1	1	2	2	2	2
Police Patrol units	98	94	96	96	94	96	100	113	116	114	124
Fire stations	5	5	5	5	5	5	5	5	5	5	5
Environmental Services											
Collection trucks	8	8	8	8	8	8	8	8	8	8	8
Public Works											
Streets (lane miles)	693	693	700	739	742	624 ⁽¹⁾	627	635	648	672	689
Engineering Services											
Signaled Intersections	59	60	60	60	61	61	63	64	64	66	66
Parks and Recreation											
Parks acreage	1,944	1,944	1,944	1,944	1,944	1,956	2,022	2,195	2,195	2,198	2,195
Swimming pools	2	2	2	2	2	2	2	2	1 ⁽²⁾	1	1
Tennis courts	44	44	44	44	44	44	44	44	40 ⁽³⁾	40	40
Community centers	4	4	4	5	5	5	5	5	5	5	5
Community Skate Park	0	0	0	0	0	0	0	0	0	1	1
Sewer											
Sanitary sewers (miles)	248	300	300	330	350	350	350	350	350	350	339
Maximum daily treatment capacity (millions of	11	11	13	13	13	13	13	13	13	13	13

Source: City departments

⁽¹⁾ Represents a change in methodology

⁽²⁾ Pool at Drake Middle School no longer in use

⁽³⁾ Replaced 4 tennis court with the Auburn-Opelika Joint Skate Park



City of Auburn

