

CAFR

CITY OF AUBURN, ALABAMA

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2019

Comprehensive Annual Financial Report

The City of Auburn, Alabama
For the Fiscal Year Ended September 30, 2019

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*

Management Team

James C. Buston, III, *City Manager*

Megan McGowan, *Assistant City Manager/COO*

Rick Davidson, *City Attorney*

John Hoar, *Inspection Services Director*

Scott Cummings, *Development Services Director*

Christopher Warren, *Library Director*

Phillip Dunlap, *Economic Development Director*

James McLaughlin, *Municipal Judge*

Alison Frazier, *Engineering Services Director*

Rebecca O. Richardson, *Parks and Recreation Director*

Catrina Cook, *Environmental Services Director*

Forrest Cotten, *Planning Director*

Allison D. Edge, *Finance Director/Treasurer*

Paul Register, *Public Safety Director*

Kristen Reeder, *Human Resources Director*

Timothy Woody, *Public Works Director*

Greg Nelson, *Information Technology Director*

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

Prepared by the City of Auburn Finance Department

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

Erika K. Sprouse, *Assistant Finance Director/Treasurer*

Heidi Lowery, *Principal Financial Analyst*

Rachel Seibenhener, *Finance Information Officer*



City of Auburn

City of Auburn, Alabama
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 For the Fiscal Year Ended September 30, 2019

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 27, 2020

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

The Comprehensive Annual Financial Report (CAFR) of The City of Auburn (the government) for the fiscal year ended September 30, 2019 is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the 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 CAFR 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 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 CAFR. 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 Governmental Accounting Standards Board (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 2019:

- 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 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,” improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. Refer to Note 10 which is updated to indicate the City’s direct placements.

Management is aware of the following statements and will implement those applicable to the City in future years:

- 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. This statement becomes effective for the fiscal 2020 reporting period.
- GASB Statement 87, “Leases,” improves accounting and financial reporting for leases by governments, which will better meet the information needs of financial statement users. This statement becomes effective for the fiscal 2021 reporting period.
- 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. This statement is effective for the fiscal 2020 reporting 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 2020 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 2019, Auburn was included on Southern Living’s list of The South’s Best Retirement Town. Money ranked Auburn number 66 on its list of 2019 Top 100 Best Places to Live in the U.S. Forbes ranked Auburn number 13 on the best places for business and careers list. Business Facilities Magazine ranked the Auburn-Opelika MSA number 5 in economic growth potential for small metro areas in its 2019 Metro Rankings Report.

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 four decades, the City has seen tremendous growth from 22,767 residents in 1970 to 65,738 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 has served as City Manager since March 2017. For fiscal year 2019, the financial reporting reflects the City's new organizational structure.

- | | |
|----------------------------|---------------------------------|
| 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 496 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

In fiscal year 2019, the City continued to prioritize school funding. The City contributed \$12.9 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.

In December 2018, the City issued two debt refundings. One for the Sewer Fund in the amount of \$9.7 million and one for the General Fund in the amount of \$5.3 million. This will benefit both funds by reducing interest costs over the remaining life of the loans.

In fiscal year 2019, financial reporting reflected the City's reorganization that was completed in August 2018. In an effort to further align the City's resources with the growing demand for public services and infrastructure, the City Manager reorganized several City departments. The main goals of this reorganization are better growth management, improved customer service, more efficient processes, enhanced community appearance, and better-quality infrastructure.

Construction began on two major sidewalk projects to improve pedestrian travel within the City. The Moores Mill Road Sidewalk Project consists of installing a 5' wide sidewalk on Moores Mill Road from Samford Avenue to East University Drive. The completion of this sidewalk will provide a continuous path to Downtown Auburn from residential, commercial and dining establishments on Moores Mill Road. The Annaloe Drive Sidewalk Project consists of installing a 5' wide sidewalk, approximately 1 mile, on Annaloe Drive from North Dean Road to East University Drive. This project will provide pedestrian access to commercial establishments along numerous arterial streets.

In order to improve traffic flow in the downtown area and meet the needs of the future Wright Street Parking Deck, work began on the Wright Streetscape Project. This work will improve the streetscape and traffic flow along Wright Street, including sidewalk and pedestrian lighting, making the area more attractive as the street becomes a two-way road to accommodate new student housing and the forthcoming Wright Street Parking Deck.

As part of the City's Parks, Recreation and Cultural Master Plan (PRCMP) approved in 2018, the City began the design phase of numerous projects, including Town Creek Park Inclusive Playground, Dinius Park, Lake Wilmore Community Center, Frank Brown Recreation Center Addition and Sam Harris Park/Westview Greenway. Also as part of the PRCMP, construction began on the Library Amphitheater and Outdoor Learning Center. This project will provide the Auburn Public Library an outdoor learning center and small amphitheater, in addition to incorporating sustainable design elements.

Government Services

Public Safety Services The Public Safety Department is comprised of four divisions: Police, Fire, Emergency Management/Communications, and Administration. In fiscal year 2019, the department handled and/or responded to over 258,000 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. In September 2004, an agreement between the City of Auburn, Lee County and the City of Opelika was executed for the expansion of the joint jail facility. The County's modern jail provides a better facility for inmates and a more efficient solution to the provision of jail services.

The Fire Division includes 49 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 13 full-time and 9 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 63 signalized intersections, along with approximately 500 streetlights and 116 LED edge lit 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 2019, approximately 16,280 households were served with 14,283 tons of garbage, 2,210 tons of recycling and 12,128 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 2019, the household hazardous waste collection events had over 600 participants that disposed of nine 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 621 units. These units range from small units to large construction equipment. Environmental Services Department 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 2019, there were 49,227 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 2019, library patrons checked out 471,872 books, audiobooks, ebooks, and movies. In addition, 28,224 patrons attended the library's 985 programs offered for children, teens, and adults. Programs offered by the Auburn Public Library included ten weekly early literacy story times, the Third Grade Reading Dragons, classes for new business owners, one-on-one technology assistance, and the Summer Learning Challenge, many sponsored in whole or in part by the Friends of the Auburn Public Library. With the use of federal LSTA (Library Services and Technology Act) grant funds, the Auburn Public Library expanded its outreach program for area third-graders, including multiple field trips to the library and a program with author Sherri Winston. Grant funds were also used to support professional development for staff who work with children.

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, skate park, 2 dog parks, 33 miles of bike paths, 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 it has to offer.

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, in 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 1,330 full-time faculty members, and the student to faculty ratio is 19 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 140 majors at the undergraduate, graduate, and professional levels. Auburn has awarded more than 300,000 academic degrees since it opened in 1856.



Auburn University's Historic Samford Hall

As the City's largest employer with over 5,100 employees, Auburn University is a major contributor to the local economy. Enrollment was 30,440 for fall semester of the 2018/2019 academic year, an increase of 664 students over the previous year.

Southern Union State Community College is located in Auburn's sister city, Opelika, the Lee County seat. Southern Union is located six 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 a groundwater well located on Highway 29 South 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 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 7,200 jobs in the last 26 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 newest park, Auburn Technology Park West, was completed in 2008.

The industrial sector showed continued growth in 2019. YC Manufacturing and Shinwa Auto USA selected Auburn as the location for their respective Alabama manufacturing locations. Several other existing manufacturers also increased their capital investment in 2019, including 2A USA, Inc., Arkal Automotive USA, Inc., Borbet Alabama, Inc., Capitol Plastic Products, LLC, CSP Technologies, Inc., Daewon America, Inc., GE Aviation, ID

Plastics LP, SCA, Inc., Seohan Auto USA Corporation, Seohan-NTN Driveshaft USA Corporation, and Touchstone Precision, Inc. The new industry announcements and expansions that occurred in 2019 will produce a combined total of 338 new jobs for Auburn and a planned capital investment of approximately \$186 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. During 2019, this program facilitated the continued renovation and expansion of Auburn Mall, which added a new entrance. Commercial centers have grown as a result of this program and continue to be strong revenue generators for the City. The program also facilitated new investment in: Cary Crossing, a new commercial center anchored by Russell Building Supply; and Another Broken Egg, a highly requested breakfast cafe.

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. Through a partnership with Auburn University's Harrison School of Pharmacy, the City will soon add a clinic to the Boykin Community Center to better serve the needs of the community.



Boykin Community Center

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.

In fiscal 2019, building permits were issued for 458 new single-family detached residences valued at \$130.6 million and 81 new single-family attached residences valued at \$16.5 million. The average valuation for single-family detached homes was \$285,200 and \$204,092 for single-family attached homes. Also, fifty-three new commercial and industrial facilities valued at \$74.7 million were permitted during fiscal 2019.

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 2019 through 2024. 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 Public Safety complex
- Construction of the Wright Street parking deck
- Boykin Recreation Center improvements – Phase II
- South College Street and Samford Avenue intersection improvements
- 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 2019, idle cash was invested in U.S. treasury notes with 12 month - 24 month terms and rates ranging from 1.17% to 2.455%. The City's idle cash was also invested in various money market accounts with rates ranging from .25% to 2.00% and one certificate of deposit with a 12-month term and a rate of 1.75%. The City's demand deposit operating account earned .75%.

During fiscal year 2019, the City invested debt proceeds for the Public Safety complex into a portfolio consisting of U. S. treasury notes, U.S. treasury bills, and securities with various terms and rates ranging from .625% to 1.875%.

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 2019 period was 57.6%, 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 2019 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 CAFR for the fiscal year ended September 30, 2018. This was the thirty-second 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 CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

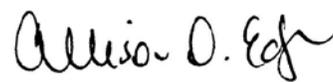
In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2019. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, 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.



James C. Buston, III
City Manager



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



City of Auburn



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, 2018

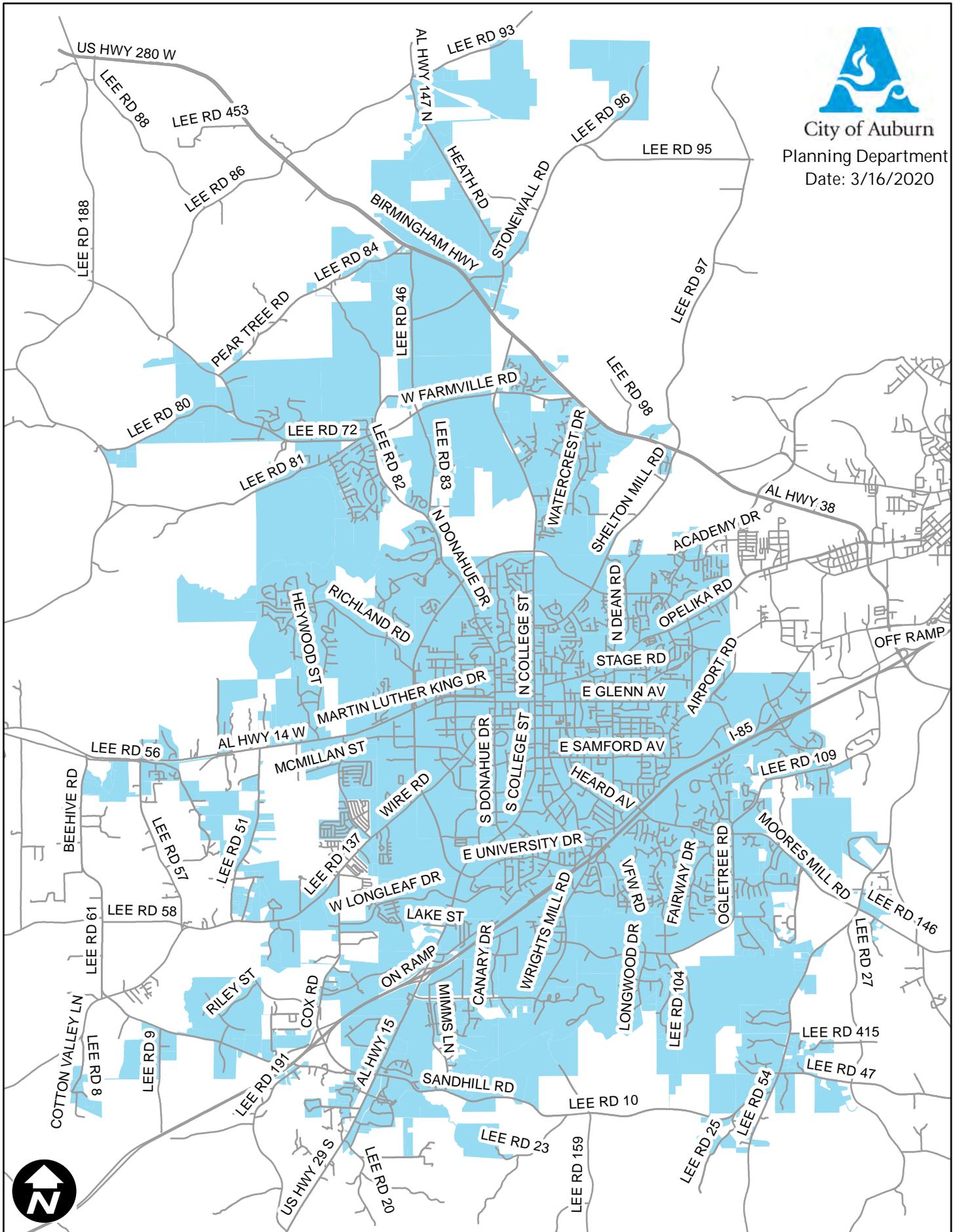
Christopher P. Morill

Executive Director/CEO

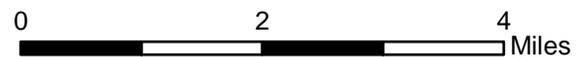
City of Auburn as of March 16, 2020



City of Auburn
Planning Department
Date: 3/16/2020



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. 14



City Manager

**Assistant City Manager/
Chief Operating Officer**

Administrative Services

Public Safety Services

Public Services

Development Services

Office of the City Manager

Judicial

Water Resource Management

Public Works

Development Services Administration

Public Affairs

Public Safety

- Collection System
- Water Distribution

- Maintenance
- Right of Way

- Commercial Development Services

- Budget & Strategic Planning

- Police

Library

- Landscape and Sustainability

Planning Services

Finance

- Fire

Parks & Recreation

- Facilities

Inspection Services

- Utility Billing Office

- Administration

- Construction

Community Services

Information Technology

- Leisure Services

Environmental Services

Engineering Services

- GIS

- Parks & Facilities

- Solid Waste

- Traffic

Human Resources

- Animal Control

- Fleet Services

- Engineering

- Risk Management

- Recycling

- Animal Control

- Inspections

Economic Development

- Workforce Development

- Industrial Development

Executive Office

Core Services Unit

Department

Division



City of Auburn

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, 2019, 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, 2019, 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 2019, the City adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. 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 21 through 50), budgetary comparison information (page 151), pension information (pages 152 through 153), and OPEB information (page 154) 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 24, 2020, 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 24, 2020



City of Auburn

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Auburn's Comprehensive Annual Financial Report (CAFR) presents City management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year that ended on September 30, 2019. 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 CAFR.

FINANCIAL HIGHLIGHTS

- The assets of the City of Auburn exceeded its liabilities at the close of the fiscal year by \$158.3 million (net position). Of this amount, the City had a deficit unrestricted net position of \$137.7 million offset by \$43.7 million in restricted net position and \$252.3 million in net investment in capital assets.
- The primary government experienced a 26.1% increase in net position from \$125.5 million at September 30, 2018 to \$158.3 million at September 30, 2019.
- At the close of fiscal 2019, the City's governmental funds reported a *combined* fund balance of \$98.4 million. This was a decrease of \$13.0 million (11.6%) from the prior year.
- At the end of fiscal 2019, total fund balance for the General Fund was \$56.4 million or 57.6% of total General Fund expenditures and other financing uses; total fund balance increased by \$4.0 million (7.5%) from fiscal year 2018. Total ending fund balance in the General Fund comprised 55.7% of total revenues in 2019 and 57.2% in 2018.
- Unassigned fund balance for the General Fund was \$32.3 million, or 33.0% of total General Fund expenditures and other financing uses; this was an increase of \$1.1 million (3.6%) from fiscal 2018.
- Sales and use tax, the City's single largest revenue source, increased by \$1.8 million (4.3%) during the 2019 fiscal year.
- Other significant changes in revenue in the City's General Fund during 2019 include the following: charges for services increased by \$3.9 million (43.2%); general property tax increased by \$466,154 (8.1%); state shared taxes increased by \$905,097 (58.9%); and interest increased by \$439,765 (114.2%).

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.

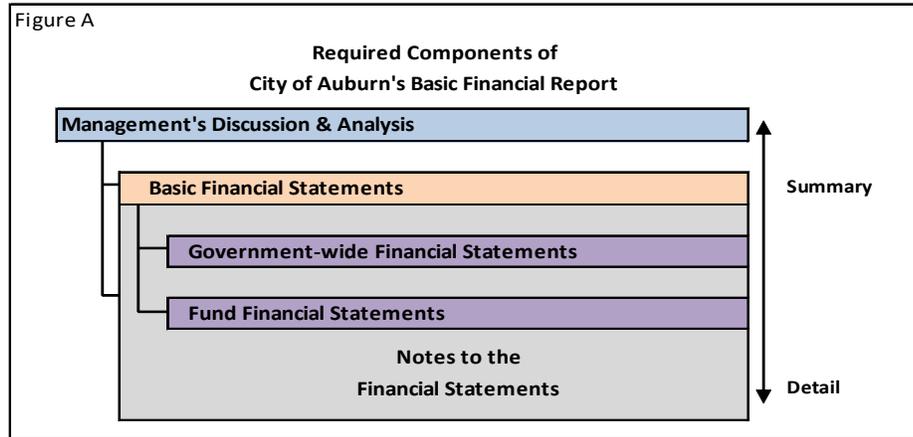


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

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 Revenue 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, 2019 totaled \$158.3 million (see Table 1). Governmental Activities' net position increased by \$28.5 million (40.5%), while Business-type Activities' net position increased \$4.3 million (7.8%) during the year.

The primary government's total net position increase of \$32.8 million (26.1%) in fiscal 2019 includes the following major changes: 1) a decrease in the deficit in unrestricted net position of \$10.6 million, 2) an increase in restricted net position of \$3.7 million, and 3) an increase in net investment in capital assets of \$18.5 million.

Table 1

City of Auburn's Net Position
September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 115,691,203	\$ 124,724,984	\$ 15,936,699	\$ 13,579,834	\$ 131,627,902	\$ 138,304,818
Capital assets	238,612,197	206,102,636	80,820,082	81,759,607	319,432,279	287,862,243
Total assets	354,303,400	330,827,620	96,756,781	95,339,441	451,060,181	426,167,061
Deferred outflows of resources	10,120,802	8,996,508	2,915,524	3,303,852	13,036,326	12,300,360
Current liabilities	26,629,413	22,168,902	4,876,569	4,865,391	31,505,982	27,034,293
Long-Term debt and other liabilities	236,296,231	245,155,362	35,059,258	38,414,055	271,355,489	283,569,417
Total liabilities	262,925,644	267,324,264	39,935,827	43,279,446	302,861,471	310,603,710
Deferred inflows of resources	2,688,222	2,165,238	272,331	226,604	2,960,553	2,391,842
Net position:						
Net investment in capital assets	204,319,205	187,712,319	47,934,317	46,067,480	252,253,522	233,779,799
Restricted	40,216,858	37,759,824	3,501,441	2,266,933	43,718,299	40,026,757
Unrestricted	(145,725,727)	(155,137,517)	8,028,390	6,802,829	(137,697,337)	(148,334,688)
Total net position	\$ 98,810,336	\$ 70,334,626	\$ 59,464,148	\$ 55,137,242	\$ 158,274,484	\$ 125,471,868

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, 2019 was \$204.3 million. Debt outstanding related to the capital assets was \$39.8 million. The large negative unrestricted net position in FY 2018 (\$155.1 million) and FY 2019 (\$145.7 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 \$151.2 million as of September 30, 2019. In fiscal 2019, the City issued \$5.3 million in General Obligation Warrants to refund the 2008 General Obligation Warrants. The last new debt the City issued on behalf of the Board of Education was \$18.0 million in General Obligation Warrants in fiscal 2017, used by Auburn City Schools to construct a new elementary school. In addition, the City holds and invests 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 \$1.7 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, 2019 was \$32.6 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 \$3.3 million as of September 30, 2019.

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, 2019, was \$151.2 million, a decrease of \$4.6 million (3.0%) from the prior year. This decrease results from principal repayments on existing debt during the year. Debt outstanding in respect to agreements made with Auburn University was \$1.7 million, a decrease from the prior year of \$199,267 (10.7%). This decrease is also attributable to the City's principal repayments.

Governmental Activities' unrestricted net position (excluding the effects of others' debt) increased by \$4.6 million (182.4%) to \$7.1 million at the end of fiscal 2019. This is primarily the result of growth in general revenues along with a decrease in governmental activities' expenses.

The City's governmental activities had an overall positive net position of \$98.8 million at the end of the 2019 fiscal year, an increase of \$28.5 million (40.5%).

Table 2

Governmental Activities

Net Position	<u>2019</u>	<u>2018</u>
	\$	\$
Net investment in capital assets	204,319,205	187,712,319
Restricted		
Capital Projects	4,307,249	3,873,941
Debt Service	7,838,599	6,018,214
Federal and State Grants	3,867,561	4,215,840
Other projects	1,980,280	2,212,799
Special Revenue, non-grant	22,223,169	21,439,030
Unrestricted (deficit)		
Governmental Activities	7,115,040	2,519,604
<i>City School Debt</i>	(151,185,870)	(155,802,957)
<i>Auburn University Debt</i>	(1,654,897)	(1,854,164)
Total Net Position-Governmental	<u>98,810,336</u>	<u>70,334,626</u>

Net position of the City's business-type activities increased by \$4.3 million (7.8%) to \$59.5 million in fiscal year 2019, from \$55.1 million in fiscal year 2018. 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. This is primarily attributable to an increase in transfers in from and out to other funds. During fiscal 2018, the Sewer Fund contributed \$247,500 to the City's new fuel depot. Transfer out in 2019 totaled \$60,885, resulting in a decrease in transfers out of \$228,060 (78.9%). Also, during fiscal 2018, the Solid Waste Management Fund contributed \$247,500 to the fuel depot; however, in fiscal 2019, the City's General Fund contributed \$517,938 to the Solid Waste Management Fund for the purchase of two recycling vehicles needed for the single-stream recycling program. These transfers in and out resulted in a net increase in transfers of \$1.0 million (182.1%) for business-type activities.

Other activity contributing to the increase in net position was a decrease in warrants payable of \$2.8 million (7.9%) 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 \$32.8 million (26.1%) in fiscal year 2019. Total assets increased by \$24.9 million (5.8%), while deferred outflows of resources increased by \$735,966 (6.0%). The net increase in assets is attributable to two main factors:

- Restricted investments decreased by \$18.7 million (40.4%). During fiscal 2018, the City issued \$30.6 million in general obligation warrants for construction of a new public safety complex. Proceeds from this debt issue were invested in United States Treasuries, maturing based on an estimated spenddown schedule. Many of these investments matured during fiscal 2019 and funds were drawn for construction of the complex.
- Capital assets, both depreciated and not being depreciated, increased by \$31.6 million (11.0%) in fiscal year 2019. The largest component of this change is an increase of \$26.1 million (122.7%) in governmental activities' construction in progress. As mentioned above, the City began construction of a new public safety complex in fiscal 2018. Construction continued in fiscal 2019 with an expected completion date in April of 2020. Expenditures for this project increased construction in progress by \$19.8 million in 2019. 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 \$777,506 (13.6%). 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 2019, these amortizations resulted in a decrease in deferred amount on refunding for governmental activities and business-type activities in the amounts of \$306,330 and \$471,176, respectively. Also, deferred outflows related to the City's pension liability increased by \$1.4 million (21.0%). This change is made up of fluctuations in three areas: differences between expected and actual experience, changes in assumptions, and the change in employer contributions subsequent to the measurement date.

Total liabilities decreased by \$7.7 million (2.5%), while deferred inflows of resources increased by \$568,711 (23.8%). The decrease in total liabilities is a result of two major changes. Long-term debt decreased by \$13.3 million (5.4%) due to principal repayments for both governmental and business-type activities. Offsetting this large decrease is an increase in accounts payable and other accrued liabilities of \$5.2 million (125.2%). Accounts payable included several large invoices at year-end, including \$2.3 million for public safety complex expenditures, \$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.

The net increase in deferred inflows of resources is the result of increases in both pension and OPEB related inflows. Pension related deferred inflows increased by \$303,977 (13.2%) which is related to the difference between projected and actual earnings on plan investments. OPEB related deferred inflows of resources increased by \$264,734 (271.7%) 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, 2019 and 2018

Governmental Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2019	2018	2019	2018	2019	2018
Functions and programs	\$	\$	\$	\$	\$	\$
General government	9,111,307	9,610,859	19,920,604	16,999,074	10,809,297	7,388,215
Public works	8,107,414	8,763,899	7,583,289	6,720,610	(524,125)	(2,043,289)
Environmental services	1,580,881	2,670,295	-	-	(1,580,881)	(2,670,295)
Public safety	24,731,609	23,779,334	6,646,241	6,539,873	(18,085,368)	(17,239,461)
Library	2,451,281	2,093,484	40,779	38,355	(2,410,502)	(2,055,129)
Parks and recreation	7,251,125	7,046,091	1,144,935	1,231,233	(6,106,190)	(5,814,858)
Development services	5,520,532	-	456,500	-	(5,064,032)	-
Social and economic development	6,731,103	6,044,055	370,445	442,283	(6,360,658)	(5,601,772)
Other functions	8,516,300	3,724,006	4,427,491	1,061,741	(4,088,809)	(2,662,265)
Education (payments to Board of Ed)	22,584,281	35,438,202	-	-	(22,584,281)	(35,438,202)
Interest on long-term debt	7,815,868	7,494,434	-	-	(7,815,868)	(7,494,434)
Total governmental activities	104,401,701	106,664,659	40,590,284	33,033,169	(63,811,417)	(73,631,490)

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

The cost of governmental activities this year was \$104.4 million. Program revenues provided \$40.6 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 \$63.8 million. This net expense is a \$9.8 million (13.3%) decrease from fiscal 2018.

There are several items of note in the change in net expense of governmental activities. Payments for education decreased by \$12.9 million (36.3%) from fiscal 2018. The City issued \$18.0 million in general obligation warrants in fiscal 2017 on behalf of Auburn City Schools for construction of a new elementary school. The City holds and invests 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 2019 was \$2.6 million, a decrease of \$13.1 million (83.2%) from fiscal 2018. The new elementary school opened for classes in August 2018.

Another significant change in net expense occurred in the human resources function, which is included with other functions in table 3. This resulted from a change in reporting health and dental claims expense. The City is self-insured and tracks insurance premiums and claims in a sub-fund of the General Fund, the Employee Benefit Self-Insurance Fund. Previously, at the end of each fiscal year, claims were distributed from a consolidated claims account in this sub-fund to each employee's department in the General Fund. However, in fiscal 2019, the City decided to change that reporting to include all health insurance claims in the human resources function. Health insurance claims are rarely related to the functional role of the employee and can fluctuate significantly from year to year depending on employee health needs; therefore, it makes sense to report claims as part of human resources as opposed to the operational function of the employee. Offsetting these health claims are transfers from the General Fund to the sub-fund for the employer and employee portion of health insurance premiums. These transfers are now included in charges for services of the human resources function and totaled \$4.4 million, an increase of \$3.4 million (342.1%) over fiscal 2018. These changes resulted in an increase in net expenses of \$905,844 (63.7%).

The risk management function also experienced a significant change in net expense, increasing by \$1.2 million (242.2%). Risk management includes the City's general liability claims as well as workers'

compensation. During fiscal 2019, the City experienced two catastrophic events involving police officers, resulting in a drastic increase in workers' compensation expenses.

Net expense of governmental activities has also been affected by an organization-wide restructure. In an effort to further align the City's resources with the growing demand for public services and infrastructure, the City Manager reorganized several City departments. The main goals of this reorganization are better growth management, improved customer service, more efficient processes, enhanced community appearance, and better-quality infrastructure. The new organizational plan created four business units:

- **Public Services** consisting of Water Resource Management, Public Works, Library, Parks & Recreation and Environmental Services.
- **Development Services** consisting of Planning Services, Inspection Services (formerly Codes in Public Safety), Engineering Services (formerly a division of Public Works), Community Services (formally a division of Economic Development and reported in social and economic development) and Commercial Development (formerly a division of Economic Development.)
- **Public Safety Services** consisting of Public Safety and Judicial.
- **Administrative Services** consisting of the Office of the City Manager, Finance, Information Technology, Human Resources and Economic Development.

Table 3 shows that the most significant changes in net expense related to the reorganization are in the public works, environmental services, and the new development services function.

Public works was reorganized into five divisions: maintenance, right of way, landscape and sustainability, facilities, and construction. Right of way was moved to the Public Works department from the Environmental Services department. Landscape and sustainability and facilities are both new divisions. In addition, the engineering function was moved from the Public Works department to its own department, Engineering Services. Expenses for the function decreased by \$656,485 (7.5%) while program revenue increased by \$862,679 (12.8%). The majority of the increase in expenses can be attributed to the effects of the reorganization. The increase in program revenue is related to an increase in assets constructed and donated by developers of \$1.5 million (38.3%) and a decrease in public works grants of \$750,447 (45.3%). These changes resulted in a net expense for the public works function of \$524,125, a decrease of \$1.5 million (74.3%) from fiscal 2018.

Governmental activities in environmental services include fleet services and animal control. As mentioned above, right of way was moved to the public works function. Expenses in environmental services decreased by \$1.1 million (40.8%). This is primarily the result of the right of way function being moved to public works.

Development services is a new business unit that functions to promote a sustainable growth pattern while protecting existing neighborhoods and encouraging quality development. A key emphasis of this new function is customer service. Each department within this business unit has a title that represents the service provided. Net expense for development services is \$5.1 million, which includes \$5.5 million in functional expenses and program revenues of \$456,500.

Total City program income exceeded expenses for only one function in fiscal 2019; general government produced an excess of \$10.8 million, an increase of \$3.4 million (46.3%) over fiscal 2018. Factors contributing to this change include a decrease in expenses of \$499,552 (5.2%) and an increase in program revenue of \$2.9 million (17.2%). The largest change in expenses for this function is a decrease in pension expense of \$693,706 (106.7%). The change in program revenue can be attributed to several increases in charges for services and operating grants and contributions, which are listed below.

Residential rental is a license fee levied against any owner of residential property, which is for rental or leasing and the property 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 most businesses. The normal annual collection for gross receipts occurred in February 2019, soon followed by the first quarterly collection in June 2019. This change, along with normal rises in residential rental properties, resulted in an increase of \$893,240 (46.0%).

Construction permits and construction percent are both related to building activities within the City. Construction permits increased by \$396,167 (33.2%) in fiscal 2019 over 2018. 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 ¼ 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 \$321,986 (25.2%) in fiscal 2019. Auburn continues to see a great deal of construction across the city, particularly in the multi-family category. Valuation of multi-family buildings was up by \$93.5 million as of September 30, 2019 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 \$620,806 (170.6%) in fiscal 2019 over collections in 2018.

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>	
	2019	2018
	\$	\$
Net expense of the total governmental activities	<u>(63,811,417)</u>	<u>(73,631,490)</u>
<i>General revenues:</i>		
Sales taxes	43,804,081	42,010,312
Property taxes	29,527,483	27,098,517
Occupational license fees	13,286,009	12,894,663
Rental and leasing taxes	856,729	886,630
Lodging taxes	2,581,724	2,373,878
Motor fuel taxes	430,658	416,979
Other taxes	275,007	290,675
Interest and investment earnings	1,967,021	965,995
Gain (loss) on disposal of assets	-	125,796
Miscellaneous	28,750	130,222
<i>Total general revenues</i>	<u>92,757,462</u>	<u>87,193,667</u>
Transfers	<u>(458,983)</u>	<u>559,003</u>
<i>Change in net position</i>		
General revenues and transfers less net expenses	28,487,062	14,121,180
Beginning net position	70,334,626	58,529,165
Prior period adjustment	<u>(11,348)</u>	<u>(2,315,719)</u>
Ending net position	<u>98,810,336</u>	<u>70,334,626</u>

Table 5 divides total governmental program revenue by source for 2019 and 2018 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.

Table 5 Program revenue by source:	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
	\$	\$
Charges for services	29,285,741	23,535,699
Operating grants and contributions	3,702,644	2,640,821
Capital grants and contributions	7,601,899	6,856,649
<i>Total Program Rev - Governmental Activities</i>	<u>40,590,284</u>	<u>33,033,169</u>

Some of the program costs of governmental activities in 2019 were paid by revenues collected from those who directly benefit from the programs (\$29.3 million). These revenue sources include the following:

- General business license fees of \$7.5 million that support general government services.
- Residential rental license fees of \$2.9 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 \$690,099 that support essential public safety and judicial services within the City.
- Construction permit fees of \$1.6 million that fund construction and building inspections in an effort to meet Auburn’s building requirement standards as well other general government services.
- Public safety fees of \$4.6 million paid by Auburn University fund fire and police services on campus.

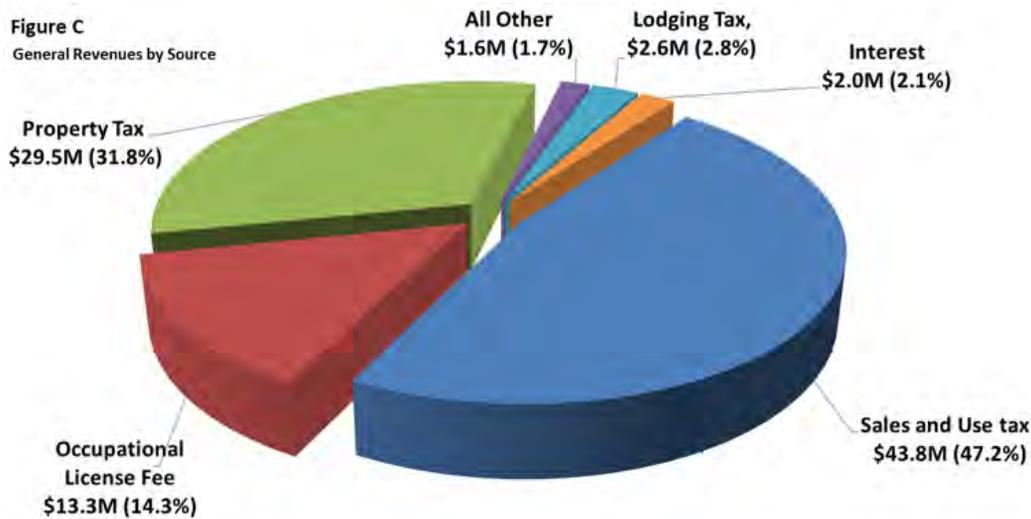
Operating and capital grants and contributions of \$11.3 million also supported program costs during fiscal 2019. These revenues were up by \$1.8 million (19.0%) from fiscal year 2018. Details of this change are described below.

- 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 \$620,806 (170.6%) in fiscal 2019 over collections in 2018.
- Grant funding is included in program revenue, classified as either operating or capital. A large portion of the City’s grant funding relates to transportation and comes from various agencies through the Alabama Department of Transportation (ALDOT). The timing and amount of grant funding can vary greatly from year to year based on the availability of grant funds and the workload of both the City’s public works department and ALDOT. The City recognized \$1.7 million in grant funding in fiscal 2018 for construction of a new bridge that crossed Interstate 85 on Moore’s Mill Road. In fiscal 2019, grant funding totaled \$1.3 million, a \$351,847 (21.2%) decrease from 2018. Grants in 2019 included additional funding of \$159,984 for the Moore’s Mill Bridge project, funding of \$745,428 for signaling intersections and \$398,600 for sidewalk improvements on Moore’s Mill Road.
- Private funds for projects is also included in program revenue. Private funds for projects varies from year to year and is typically classified as a capital contribution. In fiscal 2018, private funds

for projects totaled \$77,575. In fiscal 2019, this amount increased by \$313,878 (404.6%) to \$391,453. The City received contributions from two developers for construction of a turn lane at a new Dollar General on Wire Road. These contributions totaled \$380,000.

- Gifts and donations, including donations of assets, are included in operating and capital grants and contributions, as well. This includes streets contributed by developers as part of subdivision development and easements donated to the City. Both street and easement donations can vary greatly from year to year based on subdivision development and construction activity. Streets and easements contributed during fiscal 2019 totaled \$5.6 million, which is an increase of \$1.5 million (38.3%) over similar donations in fiscal 2018.

The City financed net expenses of \$63.8 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 2019:



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 48.3% 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 (31.8%). 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 (14.3%). 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. Based on this conclusion, 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, 2019 and 2018

Business-Type Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2019	2018	2019	2018	2019	2018
Functions and programs	\$	\$	\$	\$	\$	\$
Sewer Revenue Fund	9,527,438	9,169,743	13,123,373	12,372,374	3,595,935	3,202,631
Solid Waste Management Fund	5,418,704	5,149,644	5,451,429	5,187,892	32,725	38,248
Total business-type activities	14,946,142	14,319,387	18,574,802	17,560,266	3,628,660	3,240,879

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

Business-Type Activities

Program revenue by source:	<u>2019</u>	<u>2018</u>
	\$	\$
Charges for services	17,364,321	16,555,045
Operating grants and contributions	380,231	288,986
Capital grants and contributions	830,250	716,235
Total Program Rev - Business-Type Activities	18,574,802	17,560,266

Table 6 shows that program revenue of the Sewer Revenue 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 \$750,999 (6.1%). There are three components to this change. Sewer service fee revenue increased by \$679,953 (6.9%). Sewer user fees are calculated based on water usage. Rainfall greatly affects water usage, which in turn, affect sewer usage. In years with abundant rainfall, water usage typically decreases which also decreases sewer service fees. The City experienced above average rainfall in both 2017 and 2018. However, rainfall decreased in 2019 as compared to 2017 and 2018. This resulted in higher water usage. Also, sewer access fees decreased by \$78,300 (4.8%). 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 \$259,515 (45.5%) in sewer lines contributed by developers. Lines contributed during fiscal 2019 totaled \$830,250, as compared to \$570,735 in fiscal 2018. This type of contribution, driven by development, can vary greatly from year to year.

Sewer Fund expenses (operating plus interest expense) increased by \$357,695 (3.9%) to \$9.5 million. The major components of this change include the following:

- Miscellaneous contractual services increased by \$250,000 (100.0%). 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.

- Depreciation increased by \$147,645 (5.4%). At the end of fiscal 2018, the H.C. Morgan Water Pollution Control Facility generator replacement project was capitalized. This project increased depreciable assets by \$1.2 million.
- Other factors include normal variances in staffing, repairs and maintenance, and administrative expenses.

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 Proprietary 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 \$32,725 in fiscal 2019. 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. Further analysis of rates is expected as part of the City's fiscal 2021-2022 budget process.

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, increased from the prior year by \$263,537 (5.1%). Charges for services for solid waste collection increased by \$172,292 (3.5%). This is a typical increase based on customer growth. Also contributing to this change was an increase in operating grants and contributions of \$91,245 (31.6%). 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 \$288,896 in fiscal 2018 and \$380,231 in fiscal 2019.

Expenses of the SWMF increased by \$269,060 (5.2%). The largest component of this increase is related to depreciation of equipment. Depreciation increased by \$164,573 (31.1%). As mentioned above, the City implemented single-stream recycling. This required that the City purchase three new recycling trucks, each costing in excess of \$260,000. These began being depreciated in fiscal 2019. Also contributing to the change in expenses is an increase in the purchase of recycling carts of \$91,984 (31.7%). As mentioned above, the City implemented single-stream recycling. The City purchased over 7,200 recycling carts in fiscal 2019 using the ADEM grant funds mentioned above. The remainder of the increase in expenses is the result of typical fluctuations, both up and down, in other operating expenses, such as fuel 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 2019 fiscal year, its governmental funds reported a *combined* fund balance of \$98.4 million, a \$12.9 million (11.6%) decrease from the prior year. The total decrease in fund balance is comprised of a \$4.0 million (7.5%) increase in the General Fund's fund balance; a \$717,601 (3.0%) increase in special revenue funds' fund balances; a \$1.8 million (30.2%) increase in the debt service fund fund balance; and a \$19.4 million (66.4%) decrease 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 \$11.0 million (9.4%) 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 34.1% of governmental funds' revenue in fiscal 2019. This major revenue source increased by \$1.8 million (4.3%) over fiscal 2018. This increase reflects continued steady growth in Auburn's economy, as well as the addition of several new commercial businesses. Also, Auburn University's football schedule greatly impacts the City's sales tax revenue. The number of home games, as well as the teams played at home, affect sales tax.
- Licenses and permits increased by \$1.8 million (13.6%). As mentioned in the *Governmental Activities* section, residential rental 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 most businesses. The normal annual collection for gross receipts occurred in February 2019, soon followed by the first quarterly collection in June 2019. This change, along with normal rises in residential rental properties, resulted in an increase of \$893,240 (46.0%).
- General property tax revenues increased by \$2.4 million (9.0%). This revenue source is the second largest source (23.0%) 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).
- Charges for services increased by \$3.9 million (43.2%). The majority of this increase relates to a change in reporting health and dental claims. The City is self-insured and tracks insurance premiums and claims in a sub-fund of the General Fund, the Employee Benefit Self-Insurance Fund. These funds are combined and both reported as the General Fund in the financial statements. Previously, at the end of each fiscal year, claims and corresponding premiums were distributed from the sub-fund to each employee's department in the General Fund. However, in fiscal 2019, the City decided to change that reporting to include all health insurance claims in the human resources function. This change resulted in a reduction of multiple reclassing and distribution entries between the General Fund and the sub-fund. All claims expenses are reported in the human resources function in the General Fund while both employer and employee paid premiums remain in the sub-fund charges for services category. This change in accounting resulted in an increase of \$3.4 million (342.1%) to the charges for services category as all premiums are reported in this category.

- State shared taxes increased by \$909,934 (50.0%). 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 2019, the City received \$984,781, an increase of \$620,806 (170.6%).
- Grant revenue decreased by \$474,792 (21.2%). As mentioned in the *Governmental Activities* section, a large portion of the City's grant funding relates to transportation and comes from various agencies through the Alabama Department of Transportation (ALDOT). Revenue from these public works and engineering related grants decreased by \$351,847 (21.2%). The timing and amount of grant funding can vary greatly from year to year based on the availability of grant funds and the workload of both the City's public works and engineering departments and ALDOT. The City recognized \$1.7 million in grant funding in fiscal 2018 for construction of a new bridge that crossed Interstate 85 on Moore's Mill Road. In fiscal 2019, grant funding totaled \$1.3 million, and included additional funding of \$159,984 for the Moore's Mill Bridge project, funding of \$745,428 for signaling intersections and \$398,600 for sidewalk improvements on Moore's Mill Road.
- Program income decreased by \$735,517 (58.4%) over fiscal 2018. In fiscal 2011, the City was approved for a guaranteed loan under Section 108 of Title 1 of the Housing and Community Development Act of 1974. The City loaned \$1.5 million of these funds to the Auburn Housing Authority. During fiscal 2018, the Auburn Housing Authority paid off the remaining balance of the loan, creating \$1.0 million in program income for the City. In fiscal 2019, program income in this fund was \$397,085.
- Interest revenue increased by \$1.0 million (103.6%) in fiscal 2019. This increase is partially attributable to increases in investment interest rates as well as diversification of investments during the year. The City primarily invests in interest-bearing demand and time deposits as well as United States Treasuries. Also contributing to this increase is the investment of bond proceeds. In May 2018, the City issued \$30.6 million in general obligation warrants. The net proceeds, including an original issue premium of \$2.7 million, are being invested in securities. Interest earned on this issue in 2019 was \$562,781, an increase of \$337,051 (149.3%).

Other financing sources, excluding transfers between governmental funds, decreased by \$28.2 million (84.0%) in fiscal 2019 as compared to fiscal 2018. In December 2018, the City issued \$5.3 million in General Obligation Warrants to refund the 2008 General Obligation Warrants. Offsetting this increase to other financing sources is a decrease from a debt issue in fiscal 2018. As mentioned above, the City issued \$30.6 million in General Obligation Warrants in fiscal 2018 for construction of a public safety complex. 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 \$11.0 million (8.4%) in fiscal 2019 over fiscal 2018. 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 \$10.1 million (20.4%). The most significant changes were seen in public works (decrease of \$967,086 or 21.6%), environmental services (decrease of \$890,543 or 35.9%), public safety (increase of \$2.0 million or 8.7%), social and economic development (increase of \$581,335 or 16.9%), and human resources (increase of \$4.5 million or 189.4%). In addition, development services is a new function in fiscal 2019 with expenditures of \$5.1 million. Many of these changes are the result of a reorganization of city departments and

services. In an effort to further align the City's resources with the growing demand for public services and infrastructure, the City Manager reorganized several City departments. The main goals of this reorganization are better growth management, improved customer service, more efficient processes, enhanced community appearance, and better-quality infrastructure. Details of these changes are listed below.

- Public works decreased by \$967,086 (21.6%). As mentioned above, several departments were reorganized to enable the City to better serve its citizens. The Public Works department was reorganized into five divisions: maintenance, right of way, landscape and sustainability, facilities, and construction. Right of way was moved to the Public Works department from the Environmental Services department. Landscape and sustainability and facilities are both new divisions. In addition, the engineering function was moved from the Public Works department to its own department. This change, along with normal fluctuations in maintenance and construction activities, resulted in a net decrease to this function at the governmental fund level.
- Environmental services decreased by \$890,543 (35.9%). Previously, environmental services included right of way maintenance, fleet services and animal control. As mentioned above, right of way was moved to the public works function. While this contributed to much of this change, the environmental services decrease can also be attributed to the change in accounting for health claims. Health insurance expenditures decreased by \$148,170 (96.0%).
- Public safety activities increased by \$2.0 (8.7%) in fiscal 2019 as compared to 2018. The largest component of this change is the purchase of communication equipment. The communications division purchased 220 radios and related equipment that will be compatible with the new 911 console that will be complete in fiscal 2020. Also contributing to this change is an increase of \$1.5 million (10.7%) in salaries and overtime for regular and temporary employees in police, fire and communications. Public safety made several position changes, including the addition of a new school resource officer, conversion of four police division corporal positions to sergeants, conversion of one police officer position to captain, and conversion of six student firefighter positions to regular, full-time positions.
- As mentioned in the *Governmental Activities* section, Development Services is a new business service unit that includes Planning Services, Inspection Services (formerly Codes in Public Safety), Engineering Services (formerly a division of Public Works), Community Services and Commercial Development (formerly divisions of Economic Development.) Although Community Services is organizationally a part of the Development Services business unit, it is reported with the social and economic development function. When evaluating expenditures of departments in this new business unit compared to history for those departments that existed in other areas in prior years, expenditures increased by \$764,919 (17.6%). Much of this increase can be attributed to staffing changes. A number of new positions were created during the reorganization. These included leadership roles in the new departments, an Executive Director for Development Services and additional positions in Inspections Services to help keep pace with the high volume of new construction throughout the City. Total expenditures for this function were \$5.6 million.
- The social and economic development function increased by \$581,335 (16.9%) in fiscal 2019 as compared to 2018. As mentioned above, the new Community Services department is reported with social and economic development activities. This department's focus is primarily to administer the City's Commercial Development Block

Grant program and improve conditions in low-moderate income neighborhoods in Auburn. The addition of this department added over \$480,000 in expenditures to the social and economic development function. Also contributing to the change in this function is an increase of \$263,487 (27.0%) in rebate payments from the City's Commercial Development Incentive Program (CDIP). The CDIP program began in 2011 to stimulate redevelopment of existing commercial property as well as attract new business to the community.

- Human resources experienced the largest change in governmental functions, increasing by \$4.4 million (189.4%). This is partly the result of a change in reporting health and dental claims expense. The City is self-insured and tracks insurance premiums and claims in a sub-fund of the General Fund, the Employee Benefit Self-Insurance Fund. Previously, at the end of each fiscal year, claims were distributed from a consolidated claims account in this sub-fund to each employee's department in the General Fund. However, in fiscal 2019, the City decided to change that reporting to include all health insurance claims in the human resources function. Health insurance claims are rarely related to the functional role of the employee and can fluctuate significantly from year to year depending on employee health needs; therefore, it makes sense to report claims as part of human resources as opposed to the operational function of the employee. In addition to the change in accounting, the City experienced a nearly 30% increase in health claims in 2019 over 2018. Health claims paid in 2019 were \$4.8 million as compared to \$3.7 million in 2018.
- The City's payments to its component units decreased by \$12.9 million (34.9%) in fiscal 2019 as compared to 2018. The most significant component of this change is a decrease in debt proceeds transferred to Auburn City Schools. In fiscal 2017, the City issued \$18.0 million in general obligation warrants on behalf of Auburn City Schools for construction of a new elementary school. The City held and invested these funds, and as construction progressed, funds were transferred to the school board to pay contractors. The new elementary school opened in August 2018. These transfers of debt proceeds totaled \$2.6 million in fiscal 2019, a decrease of \$13.1 million (83.2%) from transfers in 2018.

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>2019</u>	<u>2018</u>	<u>FY 19 > FY 18</u>
Auburn City Schools	\$	\$	\$
General revenues	12,997,953	13,379,911	(381,958)
Education property taxes	6,942,518	6,332,238	610,280
Debt issuance - Schools	2,643,811	15,726,053	(13,082,242)
Subtotal to Schools	22,584,282	35,438,202	(12,853,920)
Industrial Development Board			
Operating Costs	1,035,000	1,011,500	23,500
West Tech Park Improvements	136,370	211,090	(74,720)
Subtotal to IDB	1,171,370	1,222,590	(51,220)
Public Park & Rec Board	337,619	369,496	(31,877)
Total - Component Units	24,093,271	37,030,288	(12,937,017)

- Payments to Auburn City Schools decreased by \$12.9 million (36.3%) in fiscal 2019 as compared to 2018. Details of this change are included below.

- The City appropriated \$13.0 million (a decrease of \$381,958 or 2.9%) out of its general revenue to the Auburn City Schools in fiscal year 2019. 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 \$6.9 million in fiscal 2019 is a \$610,280 (9.6%) increase from 2018.
- As described on the previous page, the City transferred debt proceeds to the schools during 2019 for construction of a new elementary school. The City holds and invests 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 2019 was \$2.6 million, a decrease of \$13.1 million (83.2%) from fiscal 2018.
- The City appropriates funds to the Industrial Development Board (IDB) for economic development initiatives. This funding decreased by \$51,220 (4.2%) in fiscal 2019 as compared to 2018. Details of this change are included below.
 - Payments for the operating costs of the IDB increased by \$23,500 (2.3%) during fiscal 2019. 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 \$136,370 in fiscal 2019 for construction of infrastructure in the Auburn Technology Park West, which is a \$74,720 (35.4%) 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 2019, the transfer decreased by \$31,877 (8.6%) to \$337,619. Participation in leagues and tournaments varies from year to year which causes a fluctuation in court fee revenue. This fluctuation affects the transfer needed from the General Fund.

Proprietary Funds

The City of Auburn has two proprietary funds, which account for its business-type activities. The Sewer Revenue 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 \$4.3 million (7.8%) from fiscal 2018 to fiscal 2019.

Proprietary funds' revenues, other resources

Sewer Revenue Fund operating revenues increased by \$659,9113 (5.7%) in 2019 as compared to 2018. This change in operating revenue is composed primarily of an increase in sewer service fees and a decrease in sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees increased by \$679,953 (6.9%), which is attributable to drier weather conditions during the year. Sewer access fees decreased by \$78,300 (4.8%). 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 \$830,250 from developers' contributions of sewer lines in fiscal 2019, which is a \$259,515 (45.5%) increase from contributions in 2018. 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 \$264,210 (5.1%) in 2019. This increase is attributable to both an increase in charges for services of \$172,292 (3.5%) from normal customer growth and an increase in operating grants of \$91,245 (31.6%). As mentioned in the *Business-type Activities* section above, the City began 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.

Proprietary funds' expenses

In the Sewer Revenue Fund, operating expenses for fiscal 2019 increased by \$680,815 (9.1%). Components of this increase are listed below, in statement presentation order.

- Salaries and benefits increased by \$130,005 (9.6%) to \$1.5 million. The primary component of this increase is a \$93,671 (9.79%) 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 Revenue 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.
- Professional services increased by \$247,412 (92.1%) to \$516,075. As mentioned in the *Business-type Activities* section, this is primarily the result of reimbursement of \$250,000 to a developer 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 increased by \$84,580 (43.1%) in fiscal 2019. During fiscal 2019, multiple pump stations were repaired throughout the system due to aging equipment. Also, the City began building and maintaining access roads to various fields on its bio-solids site, which is leased from a private owner.

In the Solid Waste Management Fund, operating expenses increased by \$269,059 (5.2%) in fiscal 2019 over 2018. There are two main components of this increase:

- Minor equipment and tools increased by \$86,859 (24.1%). As mentioned on the previous page, the City transitioned to single-stream recycling during fiscal 2018. Grant funds were used to purchase recycling carts, resulting in an expense of \$381,990 in this line item.
- Depreciation increased by \$164,573 (31.1%) in fiscal 2019. As part of the City's single-stream recycling program, the City purchased three new recycling trucks, each costing in excess of \$260,000. These vehicles began being depreciated in fiscal 2019.

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) and the 2018 Public Safety Complex Fund (a capital projects fund) were determined by testing to be the only other major governmental funds in 2019. The Sewer Revenue Fund is the only major fund in the business-type activities.

The General Fund (Governmental)

At the end of fiscal 2019, total fund balance of the City's General Fund increased by \$4.0 million (7.5%) 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 2019 total ending fund balance was \$56.4 million, compared to \$52.4 million at the end of 2018.

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 decreased by \$2.5 million (35.1%) from 2018. These balances represent inventories, prepaid items, advances, and land held for resale. In prior years, non-cash, receivable type investments were categorized as nonspendable. Based on feedback from reviewers in the Government Finance Officers Association's award for excellence in financial reporting program, these investments were reclassified to restricted fund balance. The restricted and assigned categories increased by \$5.3 million (37.2%). This is the result of the reclass mentioned above, which increased restricted fund balance by \$2.0 million, along with an increase in assigned fund balance of \$3.4 million (24.2%). In accordance with GASB Statement 54 – *Fund Balance Classifications*, the amount budgeted for fund balance drawdown for the next fiscal year (FY20) must be set aside as assigned fund balance.

The General Fund's total assets increased by \$6.6 million (11.0%) during 2019. The major components of this change are listed below, in statement presentation order.

- Cash and cash equivalents increased by \$5.4 million (20.6%) in fiscal 2019 as compared to 2018. This increase is directly attributable to excess revenue over expenditures of \$4.0 million.
- Due from other funds increased by \$2.3 million (4,466.7%) in 2019 over 2018. The largest component of this change is an increase of \$1.9 million in amounts due from the 2018 Public Safety Complex capital projects fund. At the end of September, 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. The General Fund temporarily covered this cash until the draw request was received, creating this due to/due from at year-end.

Total liabilities of the General Fund increased by \$2.6 million (35.7%) in 2019. The largest component of this change is an increase of \$2.8 million (83.6%) in accounts payable and other accrued liabilities. Accounts payable in the General Fund included several large invoices at year-end, 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 \$6.9 million from this fund for operations in 2019. This is a \$610,280 (9.6%) increase from 2018. 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 \$2.6 million of borrowing proceeds to the Schools for final expenditures related to construction of the new elementary school. In fiscal 2017, the City issued \$18.0 million for construction of a new elementary school. The City holds and invests the proceeds from this debt issue until the Schools request a draw to pay construction invoices. The City then transfers borrowing proceeds necessary to cover those cash outlays.

Revenues increased by \$1.7 million (10.0%) in this fund. Expenditures, including the transfers mentioned above and debt service on borrowings, decreased by \$12.5 million (41.4%). Also changing was debt related other financing sources and uses. In December 2018, the City issued \$5.3 million in General Obligation Warrants to refund the 2008 General Obligation Warrants. This increased other financing sources while a payment to the refunded bond escrow agent increased other financing uses by \$5.2 million. The net effect of these transactions was a \$41,500 increase in other financing sources.

2018 Public Safety Complex (Governmental)

The 2018 Public Safety Complex Fund is a capital projects fund that accounts for the spending of bond proceeds on a new public safety complex. The City issued \$30.6 million in General Obligation Warrants in May 2018. After an original issue premium, proceeds totaled \$33.3 million. During fiscal 2019, spending on the project totaled \$19.8 million. Total fund balance of this fund was \$9.0 million at the end of the year, and all of this is restricted for capital projects. The building is expected to be completed in late spring or early summer of 2020.

Sewer Fund (Business-type activity)

Generally, the Sewer Revenue 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 \$3.7 million (6.9%) in fiscal year 2019. The largest change in the components of net position is an increase of \$2.0 million (4.6%) 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 \$1.2 million (54.5%) in 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, 2019 was \$3.5 million.

Assets of the Sewer Fund increased by \$1.0 million (1.0%). The main factor contributing to this change is an increase in cash and cash equivalents, primarily from the collection of access fees in the amount of \$1.5 million. Offsetting this is a decrease in capital assets, both being depreciated and not being depreciated, of \$779,149 (1.0%).

Sewer Fund liabilities decreased by \$3.1 million (7.7%), primarily the result of principal payments on the fund's warrant payables based on debt amortization schedules. Warrants payable decreased by \$2.8 million (7.9%) in fiscal 2019 as compared to 2018. As of September 30, 2019, the Sewer Fund has \$32.6 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 2020 is \$2.9 million.

Operating revenues of the Sewer Fund increased by \$659,913 (5.7%). As discussed in the *Proprietary Funds* section, this change in operating revenue is composed primarily of an increase in sewer service fees and a decrease in sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees increased by \$679,953 (6.9%), which is attributable to drier weather conditions during the year. Sewer access fees decreased by \$78,300 (4.8%). 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 increased by \$680,815 (9.1%). Major components of this increase include an increase in salaries and benefits of \$130,005 (9.6%); an increase in professional services of \$247,412 (92.1%); and an increase in repair parts of \$84,580 (43.1%). 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. 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 2019 *final* General Fund budget projected \$97.8 million in revenue and \$1.0 million in other financing sources; appropriations were approved for \$105.0 million in expenditures and \$1.1 million in other financing uses, producing a planned reduction of \$7.4 million in the General Fund's fund balance. Actual amounts for revenues (\$101.3 million), other financing sources (\$529,721), expenditures (\$97.2 million), and other financing uses (\$620,233) netted to a positive change in fund balance. As a result, the General Fund's fund balance increased by \$4.0 million in 2019 from revenues and other sources and expenditures and other uses. Total ending fund balance in the General Fund was \$56.4 million at the end of fiscal 2019.

The *original* revenue projections in the General Fund were \$2.6 million under the *final* budget. Budget adjustments resulted from varied growth/decline in revenue sources, with the largest increases found in occupational license fees (\$640,000 or 5.2%), licenses and permits (\$1.1 million or 8.7%), general property tax (\$334,600 or 5.8%), and state shared taxes (\$346,000 or 24.7%). 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 \$905,766 (1.5%) over the *original* budget. The three largest increases (\$298,292, \$179,713 and \$125,000) were in the amounts appropriated for the development services, parks and recreation and risk management functions, respectively. The adjustment of the development service budget reflects various increases necessary given that this function is new in 2019.

Total actual departmental expenditures in the General Fund were under budget by \$3.0 million in fiscal 2019. All individual departments kept expenditures under final budget, with the exception of the public safety and human resources functions. Both are primarily attributable to a change in reporting health and dental claims expense. The City is self-insured and tracks insurance premiums and claims in a sub-fund of the General Fund, the Employee Benefit Self-Insurance Fund. Previously, at the end of each fiscal year,

claims were distributed from a consolidated claims account in this sub-fund to each employee's department in the General Fund. However, in fiscal 2019, the City decided to change that reporting to include all health insurance claims in the human resources function. This could increase or decrease a department's health insurance expenditures based on the number of employees with claims in 2018 as compared to those in 2019. The other City departments were under budget, with the most notable being parks and recreation and development services. More details of these departments are included below.

- The parks and recreation function was under budget by \$767,962. This function includes a variety of parks and recreation type expenditure types, including temporary employees that work leisure activities and parks maintenance. These temporary positions were under budget by \$218,754. Another item of note is expenditures for the City's softball complex. These expenditures were budgeted to be \$283,312 while actual expenditures were \$38,625. Although the City experienced drier than normal conditions in late summer and early fall, wet conditions in the spring caused many cancellations of sports activities, including baseball and softball. Other line items, such as buildings and grounds maintenance supplies and concessions supplies were also under budget.
- The development services function is new in 2019 and includes development services administration, planning services, engineering services and inspection services. This function was under budget by \$748,140. The development service administration portion of this function is new and was budgeted based on estimates of administrative expenditures. As more history is captured moving forward, the budget will be better aligned to meet the needs of this function.

Capital outlay expenditures were under budget by \$3.9 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, 2019, the City owned \$319.4 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 \$31.6 million (11.0%) over last year. Much of this change includes an increase of \$26.7 (57.6%) in capital assets not being depreciated. This category includes construction in progress, which holds expenditures on the new public safety complex until it is substantially complete. Expenditures for this project were \$19.8 million in fiscal 2019. Other additions to construction in progress include \$1.2 million for phase 1 of the Richland Road widening and \$1.4 million for the Gay Street streetscape from Glenn Avenue to Mitcham Avenue. Other increases in total capital assets include streets contributed by developers, land purchases and donations, and roadway and intersection improvements, building improvements, and equipment.

Table 8 lists the largest capital asset additions to the City for fiscal year 2019. Some of these additions were multi-year projects completed in 2019 and reclassified from construction in progress.

Table 8

Largest Capital Asset Additions
Fiscal Year 2019

	<u>Total Cost</u>
<i>Roadway and intersection improvements</i>	
Streets constructed and donated by developers	5,577,909
FY17 resurfacing and restriping	2,013,092
Wright Street resurfacing, drainage and sidewalks	1,207,270
Wire Road turn lane	677,905
<i>Other improvements</i>	
Duck Samford lighting and bleachers	495,185
Westview and Memorial Park cemetery	231,618
<i>Vehicles and equipment</i>	
Police vehicles (14)	434,291
Emergency 911 system improvements	325,496
Total	<u>10,962,766</u>

The City has committed, through general fund funding and potential future borrowings, to continue or complete some major construction projects in fiscal years 2020 and 2021. 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 Public Safety Center;
- Downtown parking improvements, including a new parking deck;
- Parks and recreation projects;
- Traffic and transportation projects; and
- Sewer improvement projects.

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

Long-term Liabilities

At 2019 fiscal year-end, the City owed \$284.5 million in long-term liabilities outstanding, of which \$13.2 million will mature during fiscal 2020. Long-term liabilities include bonds, warrants, and notes payable, accumulated annual leave, claims payable, landfill closure liability, other post-employment benefits liability, advances from component units, and pension liability. The fiscal 2019 net decrease in long-term liabilities, including the current portion, from the previous year was \$12.0 million or 4.0%.

Bonds and warrants payable

Bonds, warrants, and notes payable outstanding at September 30, 2019 totaled \$230.9 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 \$230.9 million in debt outstanding, \$151.2 million is debt issued for assets that belong to Auburn City Schools and \$1.7 million is debt issued for assets that are owned by the City's Public Park and Recreation Board.

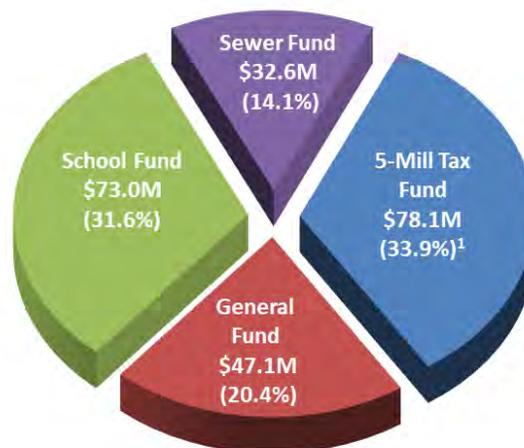
General obligation debt is usually payable from the City's general revenues (the General Fund). However, some long-term debt is payable from legally restricted revenue sources, such as debt issued to provide financing for the Schools, which is payable from property taxes dedicated for education purposes. 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, 2019**



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

At the end of fiscal 2019, the Special Five Mill Tax Fund had long-term debt outstanding of \$78.1 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. There was no new debt issued in this fund in fiscal 2019.

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 \$73.0 million, which will be repaid from these dedicated taxes. The most recent debt issue in this fund was a refunding in fiscal 2019. In December 2018, the City issued \$5.3 million in General Obligation Warrants to refund the 2008 General Obligation Warrants.

The Sewer Revenue Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$32.6 million at the end of fiscal 2019. 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. In December 2018, the City issued \$9.7 million in General Obligation Warrants to fully refund the 2009 General Obligation Warrants. This refunding allowed the City to take advantage of lower interest rates. Although this is general obligation debt, it is repaid solely from revenue in the Sewer Revenue Fund.

The remaining \$47.1 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 \$30.6 million in General Obligation Warrants issued in 2018. The proceeds from this warrant are being used to construct a new public safety complex that

will house all public safety divisions, including administration, police, fire (administration and fire station #1), and communications as well as the judicial department and related courtroom. The building will also house the City Council chambers.

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 \$44.7 million, resulting in a legal debt margin (additional legal debt capacity) of \$166.2 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 2019 is 12.9%; the ratio for 2018 was 14.1%.

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.

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. As the economy within the State of Alabama and the nation as a whole continues to improve, Auburn has remained a relatively stable and growing economy. The City's unemployment rates typically compare favorably with the State's and national rates. The most recent data available from the Alabama Department of Labor show that for September 2018, Auburn's unemployment rate (Auburn-

Opelika metropolitan) was 2.2%. The State's unemployment rate in September 2019 was 2.7%, while the national rate was 3.5% (US Bureau of Labor Statistics, September 2019).

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 fifty-five companies, resulting in the creation of over 7,200 jobs in the last 26 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 newest park, Auburn Technology Park West, was completed in 2008. Construction of Phase II of this park is substantially complete and additional property was acquired in 2014 with development underway in 2015 with substantial completion in 2017. The industrial sector showed continued growth in 2019. YC Manufacturing and Shinhwa Auto USA selected Auburn as the location for their respective Alabama manufacturing locations. Several other existing manufacturers also increased their capital investment in 2019, including 2A USA, Inc., Arkal Automotive USA, Inc., Borbet Alabama, Inc., Capitol Plastic Products, LLC, CSP Technologies, Inc., Daewon America, Inc., GE Aviation, ID Plastics LP, SCA, Inc., Seohan Auto USA Corporation, Seohan-NTN Driveshaft USA Corporation, and Touchstone Precision, Inc. The new industry announcements and expansions that occurred in 2019 will produce a combined total of 338 new jobs for Auburn and a planned capital investment of approximately \$186 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 2019, this program facilitated the continued renovation and expansion of: Auburn Mall, which added additional retail space and dining options; The Commerce Center on Opelika Road, adding two new dining options to the market; and Another Broken Egg. Commercial centers have grown as a result of this program and continue to be strong revenue generators for the City.

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, permits for single-family detached returned to typical levels. In fiscal 2019, permits for single-family detached decreased by 43 (9.8%) to 398 permits. Commercial/industrial/institutional building activity (including new construction and additions/renovations) increased in fiscal year 2019 compared to the activity of 2018 in terms of valuation (\$15.7 million or 20.7%). A major component of this increase resulted from two additional permits in the parking garage category. The City's size has grown from 45.5 square miles in 2001 to 61.3 square miles in 2019. Population growth continues to average about 3% per year.

The City's staff considered all of the factors described above in preparing the mid-biennium budget review for fiscal years 2019 and 2020. Revenue is budgeted conservatively, yet realistically. 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 2020 and 2021. As 2020 progresses, decisions will be made about the timing of these projects and any changes will be included in the fiscal

2021-2022 budget that will begin in spring of 2020. 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 has already begun planning for the fiscal 2021 and 2022 biennial budget. Originally, the main focus would continue to be on capital projects, as well as on maintaining high levels of service for the City's programs. However, given recent events related to the coronavirus pandemic and the potential effects on the City's main revenue sources, the focus will be re-evaluated to allow the City to best deal with this crisis. As of the date of this report, the exact impacts are unknown, but likely impacts are reductions in sales and lodging taxes and lower than normal occupational license fees. As the City knows more about these impacts, the budget will be developed to address those issues and could include postponement of capital projects and reductions in operating budgets.

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, 2019 was 57.6% of expenditures compared to 58.6% in 2018. 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 53.3% 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 55.7% and 57.2% at the end of fiscal 2019 and 2018, 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.

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

In addition, in mid-2017, a prospective well was drilled in south Auburn near Sandhill Road by a land owner. The owner approached the Board to gauge interest in developing the well into a water supply source. A new larger well was drilled by the Board and an evaluation was performed by the Board's engineering consultant which indicated that the well appeared to be a viable source. Testing performed on the well in late spring and early summer 2019 indicated that the well had an exceptional pumping capacity.

Since that time, the Board has completed the design and began construction of the wellhead facilities and the water transmission pipeline. The construction of the wellhead production facilities project is expected to last into the summer of 2020. The construction of the water transmission pipeline is expected to last into the fall of 2020.

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/CAFR.

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.



City of Auburn

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	50,671,779	13,427,292	64,099,071	52,851,085
Certificates of deposit	7,867,958	-	7,867,958	59,406
Receivables, net	15,286,050	2,358,923	17,644,973	2,304,520
Accrued interest receivable	-	-	-	34,626
Due from component units	456,406	71,625	528,031	-
Inventories	288,960	43,383	332,343	537,702
Current portion of assessments receivable	182,910	-	182,910	-
Current portion of mortgages and notes receivable	171,346	-	171,346	18,020
Current portion of net investment in capital leases	-	-	-	399,148
Property tax receivable	-	-	-	8,298,865
Due from other governments	-	-	-	1,189,918
Due from primary government	-	-	-	2,109,065
Other current assets	159,577	35,476	195,053	125,678
Restricted cash	6,374,593	-	6,374,593	218,375
Total current assets	<u>81,459,579</u>	<u>15,936,699</u>	<u>97,396,278</u>	<u>68,146,408</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	1,157,624
Investments	-	-	-	2,625,609
Interest receivable	-	-	-	4,118
Assessments receivable, net of current portion	365,820	-	365,820	-
Mortgages and notes receivable, net of current portion	2,100,835	-	2,100,835	-
Investments	27,568,504	-	27,568,504	-
Net investment in capital leases, net of current portion	-	-	-	5,412,078
Advances to other agencies	65,338	-	65,338	-
Property for resale	4,131,127	-	4,131,127	8,286,183
Capital assets not being depreciated	72,478,209	491,031	72,969,240	32,889,342
Capital assets net of accumulated depreciation	166,133,988	80,329,051	246,463,039	294,994,512
Total noncurrent assets	<u>272,843,821</u>	<u>80,820,082</u>	<u>353,663,903</u>	<u>345,369,466</u>
Total assets	<u>354,303,400</u>	<u>96,756,781</u>	<u>451,060,181</u>	<u>413,515,874</u>
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	336,780
Deferred amount on refunding	2,701,286	2,255,783	4,957,069	471,093
Pension related	7,194,809	636,674	7,831,483	14,646,044
OPEB related	224,707	23,067	247,774	5,872,787
Total deferred outflows of resources	<u>10,120,802</u>	<u>2,915,524</u>	<u>13,036,326</u>	<u>21,326,704</u>

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
CONTINUED

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	29,713
Due to other government	-	-	-	3,591
Current portion of long-term debt	-	-	-	1,537,971
Accrued interest payable	-	-	-	219,294
Accounts payable and other accrued liabilities	8,686,260	580,684	9,266,944	5,684,394
Due to component units	1,983,696	125,368	2,109,064	-
Accrued interest payable	2,445,580	380,515	2,826,095	-
Salaries and benefits payable	478,688	37,964	516,652	6,669,773
Claims payable	261,425	-	261,425	-
Customer deposits	270,885	816,038	1,086,923	924,103
Unearned revenue	2,258,450	-	2,258,450	396,925
Current portion of long-term debt	10,244,429	2,936,000	13,180,429	12,687,180
Due to primary government	-	-	-	528,031
Total current liabilities	<u>26,629,413</u>	<u>4,876,569</u>	<u>31,505,982</u>	<u>28,680,975</u>
Noncurrent liabilities:				
Derivative instrument liability	-	-	-	336,780
Long-term debt and other liabilities	200,342,849	32,347,427	232,690,276	66,381,662
Net pension liability	32,608,222	2,373,490	34,981,712	67,516,690
Net OPEB liability	3,345,160	338,341	3,683,501	63,396,601
Total noncurrent liabilities	<u>236,296,231</u>	<u>35,059,258</u>	<u>271,355,489</u>	<u>197,631,733</u>
Total liabilities	<u>262,925,644</u>	<u>39,935,827</u>	<u>302,861,471</u>	<u>226,312,708</u>
DEFERRED INFLOWS OF RESOURCES				
Future property tax revenue	-	-	-	8,298,865
Pension related	2,360,010	238,389	2,598,399	7,749,701
OPEB related	328,212	33,942	362,154	5,425,096
Total deferred inflows of resources	<u>2,688,222</u>	<u>272,331</u>	<u>2,960,553</u>	<u>21,473,662</u>
NET POSITION				
Net investment in capital assets	204,319,205	47,934,317	252,253,522	253,703,337
Restricted for :				-
Capital projects	4,307,249	3,501,441	7,808,690	1,157,624
Debt service	7,838,599	-	7,838,599	2,829,044
Federal and state grants	3,867,561	-	3,867,561	-
Restricted for other projects	1,980,280	-	1,980,280	2,871,002
Special revenues (gas tax and road projects)	102,035	-	102,035	-
Special revenues (education)	21,081,975	-	21,081,975	-
Special revenues (public safety)	1,039,159	-	1,039,159	-
Unrestricted (deficit)	<u>(145,725,727)</u>	<u>8,028,390</u>	<u>(137,697,337)</u>	<u>(73,504,799)</u>
Total net position	<u>98,810,336</u>	<u>59,464,148</u>	<u>158,274,484</u>	<u>187,056,208</u>

**CITY OF AUBURN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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	9,111,307	17,481,505	2,439,099	-	10,809,297	-	10,809,297	
Public works	8,107,414	2,500	706,016	6,874,773	(524,125)	-	(524,125)	
Environmental services	1,580,881	-	-	-	(1,580,881)	-	(1,580,881)	
Public safety	24,731,609	6,491,175	155,066	-	(18,085,368)	-	(18,085,368)	
Library	2,451,281	20,759	20,020	-	(2,410,502)	-	(2,410,502)	
Parks and recreation	7,251,125	804,411	11,998	328,526	(6,106,190)	-	(6,106,190)	
Development services	5,520,532	57,900	-	398,600	(5,064,032)	-	(5,064,032)	
Social and economic development	6,731,103	-	370,445	-	(6,360,658)	-	(6,360,658)	
Human resources	6,754,450	4,427,491	-	-	(2,326,959)	-	(2,326,959)	
Risk management	1,761,850	-	-	-	(1,761,850)	-	(1,761,850)	
Education (payments to Board of Education)	22,584,281	-	-	-	(22,584,281)	-	(22,584,281)	
Interest on long-term debt	7,815,868	-	-	-	(7,815,868)	-	(7,815,868)	
Total governmental activities	<u>104,401,701</u>	<u>29,285,741</u>	<u>3,702,644</u>	<u>7,601,899</u>	<u>(63,811,417)</u>	<u>-</u>	<u>(63,811,417)</u>	
Business-type activities:								
Sewer Revenue Fund	9,527,438	12,293,123	-	830,250	-	3,595,935	3,595,935	
Solid Waste Management Fund	5,418,704	5,071,198	380,231	-	-	32,725	32,725	
Total business-type activities	<u>14,946,142</u>	<u>17,364,321</u>	<u>380,231</u>	<u>830,250</u>	<u>-</u>	<u>3,628,660</u>	<u>3,628,660</u>	
Total primary government	<u>119,347,843</u>	<u>46,650,062</u>	<u>4,082,875</u>	<u>8,432,149</u>	<u>(63,811,417)</u>	<u>3,628,660</u>	<u>(60,182,757)</u>	
Component units:								
Board of Education	99,633,492	6,740,673	51,500,317	2,552,081	-	-	-	(38,840,421)
Water Works Board	11,826,294	12,595,780	-	1,866,675	-	-	-	2,636,161
Industrial Development Board	8,657,546	4,818,065	-	278,167	-	-	-	(3,561,314)
Public Park & Recreation Board	792,622	117,947	-	-	-	-	-	(674,675)
Downtown Redevelopment Authority	24,978	-	-	-	-	-	-	(24,978)
Total Component Units	<u>120,934,932</u>	<u>24,272,465</u>	<u>51,500,317</u>	<u>4,696,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,465,227)</u>
General revenues								
Taxes:								
Sales taxes					43,804,081	-	43,804,081	8,266,906
Occupational license fees					13,286,009	-	13,286,009	-
Property taxes					29,527,483	-	29,527,483	14,310,274
Motor fuel taxes					430,658	-	430,658	-
Lodging taxes					2,581,724	-	2,581,724	-
Rental and leasing taxes					856,729	-	856,729	-
Cigarette taxes					54,075	-	54,075	-
Alcoholic beverage taxes					220,932	-	220,932	611,284
Other taxes					-	-	-	57,212
Appropriations from the City of Auburn					-	-	-	21,025,141
Federal and state aid not restricted					-	-	-	2,080
Interest and investment earnings					1,967,021	140,496	2,107,517	872,464
Gain/(Loss) on disposal of assets					-	68,571	68,571	(196,281)
Miscellaneous					28,750	30,196	58,946	2,753,483
Transfers					(458,983)	458,983	-	-
Total general revenues and transfers					<u>92,298,479</u>	<u>698,246</u>	<u>92,996,725</u>	<u>47,702,563</u>
Change in net position					<u>28,487,062</u>	<u>4,326,906</u>	<u>32,813,968</u>	<u>7,237,336</u>
Net position - beginning					70,334,626	55,137,242	125,471,868	179,803,812
Prior period adjustment					(11,348)	-	(11,348)	15,060
Net position - beginning, as restated					<u>70,323,278</u>	<u>55,137,242</u>	<u>125,460,520</u>	<u>179,818,872</u>
Net position - ending					<u>98,810,336</u>	<u>59,464,148</u>	<u>158,274,488</u>	<u>187,056,208</u>

CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Special School Tax Fund	2018 Public Safety Complex Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	30,439,830	12,508,495	-	7,723,454	50,671,779
Certificates of deposit	1,477,889	4,128,055	-	2,262,014	7,867,958
Investments	15,482,263	2,499,607	8,087,670	1,498,964	27,568,504
Receivables, net	11,400,965	3,899,743	26,410	757,663	16,084,781
Due from other funds	2,348,448	-	-	47,278	2,395,726
Due from component units	456,406	-	-	-	456,406
Inventories	288,960	-	-	-	288,960
Prepaid items	74,105	-	-	-	74,105
Mortgages receivable	-	-	-	2,022,181	2,022,181
Advances to other agencies	65,338	-	-	-	65,338
Restricted cash	250,997	-	5,846,886	276,710	6,374,593
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	66,416,328	23,035,900	13,960,966	14,588,264	118,001,458
LIABILITIES					
Accounts payable and accrued liabilities	6,090,486	29,352	3,004,595	79,079	9,203,512
Due to component units	59,124	1,924,573	-	-	1,983,697
Customer deposits	232,319	-	-	-	232,319
Claims payable	425,692	-	-	-	425,692
Due to other funds	-	-	1,927,616	468,110	2,395,726
Unearned revenue	3,244,390	-	-	2,111,720	5,356,110
Total liabilities	10,052,011	1,953,925	4,932,211	2,658,909	19,597,056
FUND BALANCES					
Nonspendable					
Inventories	288,960	-	-	-	288,960
Prepaid items	74,105	-	-	-	74,105
Advances	65,338	-	-	-	65,338
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Roads, bridges and streets	-	-	-	102,036	102,036
Law enforcement	250,997	-	-	1,130,446	1,381,443
Education	-	21,081,975	-	-	21,081,975
General grants	-	-	-	214,155	214,155
Social and economic development	-	-	-	1,853,107	1,853,107
Capital projects	-	-	9,028,755	791,012	9,819,767
Other projects	1,980,280	-	-	-	1,980,280
Debt service	-	-	-	7,838,599	7,838,599
Assigned					
General	17,234,592	-	-	-	17,234,592
Unassigned	32,338,918	-	-	-	32,338,918
Total fund balances	56,364,317	21,081,975	9,028,755	11,929,355	98,404,402
Total liabilities and fund balances	66,416,328	23,035,900	13,960,966	14,588,264	

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.	238,612,197
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(239,108,079)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,347,660
Prepaid items accounted for using the purchases method are not reported in the funds.	85,472
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(2,531,316)
Net position of governmental activities	98,810,336

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Special School Tax Fund	2018 Public Safety Complex Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	43,804,081	-	-	-	43,804,081
Occupational license fees	13,286,009	-	-	-	13,286,009
Motor fuel taxes	848,822	-	-	-	848,822
Lodging taxes	2,581,724	-	-	-	2,581,724
Rental and leasing taxes	856,729	-	-	-	856,729
Other taxes	275,007	-	-	-	275,007
Licenses and permits	15,188,191	-	-	-	15,188,191
General property taxes	6,231,852	18,057,480	-	5,238,151	29,527,483
Charges for services	12,863,016	-	-	-	12,863,016
Fines and forfeitures	1,075,769	-	-	141,922	1,217,691
State shared taxes	2,440,699	-	-	287,851	2,728,550
Contributions from the public	982,224	-	-	48,009	1,030,233
Grants	-	-	-	1,761,088	1,761,088
Program income	-	-	-	524,711	524,711
Interest	824,932	397,229	562,781	182,079	1,967,021
Miscellaneous	30,224	-	-	375	30,599
Total revenues	<u>101,289,279</u>	<u>18,454,709</u>	<u>562,781</u>	<u>8,184,186</u>	<u>128,490,955</u>
Expenditures					
General government and administration	5,676,641	-	-	305	5,676,946
Public works	3,518,894	-	-	-	3,518,894
Environmental services	1,590,544	-	-	-	1,590,544
Public safety	24,372,078	-	-	91,597	24,463,675
Library	2,277,413	-	-	20,020	2,297,433
Parks and recreation	5,837,058	-	-	-	5,837,058
Development services	5,118,011	-	-	-	5,118,011
Social and economic development	3,364,801	-	-	655,507	4,020,308
Human Resources	6,798,012	-	-	-	6,798,012
Risk management	415,129	-	-	-	415,129
Total departmental	<u>58,968,581</u>	<u>-</u>	<u>-</u>	<u>767,429</u>	<u>59,736,010</u>
Non-Departmental	2,284,881	574,620	-	166,732	3,026,233
Debt service					
Administrative charges	3,039	72,337	9,527	806	85,709
Interest	2,011,978	2,778,841	-	3,418,814	8,209,633
Principal retirement	4,975,631	4,730,113	-	180,000	9,885,744
Capital outlay	12,854,764	-	19,838,298	1,579,602	34,272,664
Intergovernmental	1,777,751	-	-	-	1,777,751
Payments to component units	14,370,572	9,586,329	-	136,370	24,093,271
Total expenditures	<u>97,247,197</u>	<u>17,742,240</u>	<u>19,847,825</u>	<u>6,249,753</u>	<u>141,087,015</u>
Excess (deficiency) of revenues over expenditures	<u>4,042,082</u>	<u>712,469</u>	<u>(19,285,044)</u>	<u>1,934,433</u>	<u>(12,596,060)</u>
Other financing sources (uses)					
Debt issuance	-	5,259,668	-	-	5,259,668
Payment to refunded bond escrow agent	-	(5,218,168)	-	-	(5,218,168)
Sale of surplus assets	88,477	-	-	105	88,582
Transfers in	441,244	-	-	177,457	618,701
Transfers out	(620,233)	-	-	(457,451)	(1,077,684)
Total other financing sources (uses)	<u>(90,512)</u>	<u>41,500</u>	<u>-</u>	<u>(279,889)</u>	<u>(328,901)</u>
Net changes in fund balances	3,951,570	753,969	(19,285,044)	1,654,544	(12,924,961)
Fund balances, beginning of year	<u>52,412,747</u>	<u>20,328,006</u>	<u>28,313,799</u>	<u>10,274,810</u>	<u>111,329,362</u>
Fund balances, end of year	<u><u>56,364,317</u></u>	<u><u>21,081,975</u></u>	<u><u>9,028,755</u></u>	<u><u>11,929,354</u></u>	<u><u>98,404,401</u></u>

CITY OF AUBURN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balances - total governmental funds	\$	(12,924,961)
<p>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.</p>		
		27,331,165
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>		
		5,189,745
<p>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.</p>		
		9,772,717
<p>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.</p>		
		(348,218)
<p>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.</p>		
		<u>(533,386)</u>
Change in net position - statement of activities	\$	<u><u>28,487,062</u></u>

CITY OF AUBURN, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>\$</u>
Revenues	\$	\$	\$	\$
Sales and use taxes	43,365,300	42,800,000	43,804,081	1,004,081
Occupational license fees	12,360,000	13,000,000	13,286,009	286,009
Motor fuel taxes	814,112	814,112	848,822	34,710
Lodging taxes	2,492,600	2,492,600	2,581,724	89,124
Rental and leasing taxes	875,500	875,500	856,729	(18,771)
Other taxes	300,118	286,118	275,007	(11,111)
Licenses and permits	12,966,485	14,098,440	15,188,191	1,089,751
General property taxes	5,785,400	6,120,000	6,231,852	111,852
Charges for services	12,623,976	12,930,759	12,863,016	(67,743)
Fines and forfeitures	983,000	1,043,000	1,075,769	32,769
State shared taxes	1,400,000	1,746,000	2,440,699	694,699
Contributions from the public	931,944	1,103,925	982,224	(121,701)
Interest	283,019	483,019	824,932	341,913
Miscellaneous	27,500	48,000	30,224	(17,776)
Total revenues	<u>95,208,954</u>	<u>97,841,473</u>	<u>101,289,279</u>	<u>3,447,806</u>
Expenditures				
General government and administration	6,162,413	6,252,430	5,664,252	588,178
Public works	3,723,578	3,833,047	3,518,894	314,153
Environmental services	1,711,907	1,711,907	1,590,544	121,363
Public safety	24,183,705	24,227,213	24,372,078	(144,865)
Library	2,345,666	2,375,212	2,277,413	97,799
Parks and recreation	6,425,307	6,605,020	5,837,058	767,962
Development services	5,567,859	5,866,151	5,118,011	748,140
Economic development	3,687,692	3,713,262	3,364,801	348,461
Human resources	6,346,250	6,350,901	6,798,012	(447,111)
Risk management	879,500	1,004,500	415,129	589,371
Total departmental	<u>61,033,877</u>	<u>61,939,643</u>	<u>58,956,192</u>	<u>2,983,451</u>
Non-departmental	2,222,814	2,657,792	2,297,270	360,522
Debt service:				
Administrative charges	3,000	3,000	3,039	(39)
Interest	2,527,817	2,011,817	2,011,978	(161)
Principal retirement	5,319,630	4,975,630	4,975,631	(1)
Capital outlay	16,333,422	16,748,613	12,854,764	3,893,849
Intergovernmental	1,699,803	1,941,470	1,777,751	163,719
Payments to component units	14,676,944	14,776,944	14,370,572	406,372
Total expenditures	<u>103,817,307</u>	<u>105,054,909</u>	<u>97,247,197</u>	<u>7,807,712</u>
Excess (deficiency) of revenues over expenditures	<u>(8,608,353)</u>	<u>(7,213,436)</u>	<u>4,042,082</u>	<u>11,255,518</u>
Other financing sources (uses)				
Sale of surplus assets	60,000	60,000	88,477	28,477
Transfers in	852,250	941,524	441,244	(500,280)
Transfers out	(1,024,100)	(1,149,100)	(620,233)	528,867
Total other financing sources (uses)	<u>(111,850)</u>	<u>(147,576)</u>	<u>(90,512)</u>	<u>57,064</u>
Net changes in fund balances	(8,720,203)	(7,361,012)	3,951,570	11,312,582
Fund balances, beginning of year	<u>41,419,077</u>	<u>40,176,625</u>	<u>52,412,747</u>	<u>12,236,122</u>
Fund balances, end of year	<u><u>32,698,874</u></u>	<u><u>32,815,613</u></u>	<u><u>56,364,317</u></u>	<u><u>23,548,704</u></u>

CITY OF AUBURN, ALABAMA
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
General property taxes	16,730,380	18,040,625	18,057,480	16,855
Interest	100,000	250,000	397,229	147,229
Total revenues	<u>16,830,380</u>	<u>18,290,625</u>	<u>18,454,709</u>	<u>164,084</u>
Expenditures				
Non-Departmental	596,795	596,795	574,620	22,175
Debt service				
Administrative charges	2,180	506,760	72,337	434,423
Interest	2,866,481	2,779,347	2,778,841	506
Principal retirement	4,723,645	4,730,113	4,730,113	-
Payments to component units	9,442,518	9,942,518	9,586,329	356,189
Total expenditures	<u>17,631,619</u>	<u>18,555,533</u>	<u>17,742,240</u>	<u>813,293</u>
Excess (deficiency) of revenues over expenditures	<u>(801,239)</u>	<u>(264,908)</u>	<u>712,469</u>	<u>977,377</u>
Other financing sources (uses)				
Debt issuance	-	51,350,000	5,259,668	(46,090,332)
Payment to refunded bond escrow agent	-	(5,218,200)	(5,218,168)	32
Total other financing sources (uses)	<u>-</u>	<u>46,131,800</u>	<u>41,500</u>	<u>(46,090,300)</u>
Net changes in fund balances	(801,239)	45,866,892	753,969	(45,112,923)
Fund balances, beginning of year	<u>36,667,992</u>	<u>15,135,962</u>	<u>20,328,006</u>	<u>(5,192,044)</u>
Fund balances, end of year	<u><u>35,866,753</u></u>	<u><u>61,002,854</u></u>	<u><u>21,081,975</u></u>	<u><u>(50,304,967)</u></u>

**CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

	Major Fund		
	Sewer Revenue Fund	Solid Waste Management Fund	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	12,228,944	1,198,348	13,427,292
Receivables, net	1,711,800	647,123	2,358,923
Due from component units	71,302	323	71,625
Inventories	26,940	16,443	43,383
Other current assets	15,600	19,876	35,476
Total current assets	14,054,586	1,882,113	15,936,699
Noncurrent assets			
Capital assets not being depreciated	491,031	-	491,031
Capital assets net of accumulated depreciation	78,156,583	2,172,468	80,329,051
Total noncurrent assets	78,647,614	2,172,468	80,820,082
Total assets	92,702,200	4,054,581	96,756,781
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	2,255,783	-	2,255,783
Pension related	291,146	345,528	636,674
OPEB related	10,471	12,596	23,067
Total deferred outflows of resources	2,557,400	358,124	2,915,524
LIABILITIES			
Current liabilities			
Accounts payable	440,813	139,871	580,684
Salaries and benefits payable	11,310	26,654	37,964
Due to component units	91,990	33,378	125,368
Accrued interest payable	380,515	-	380,515
Customer deposits	607,990	208,048	816,038
Current portion of long-term debt	2,936,000	-	2,936,000
Total current liabilities	4,468,618	407,951	4,876,569
Noncurrent liabilities			
Long-term debt and other liabilities	32,271,475	75,952	32,347,427
Net pension liability	1,016,222	1,357,268	2,373,490
Net OPEB liability	153,538	184,803	338,341
Total noncurrent liabilities	33,441,235	1,618,023	35,059,258
Total liabilities	37,909,853	2,025,974	39,935,827
DEFERRED INFLOWS OF RESOURCES			
Pension related	105,863	132,526	238,389
OPEB related	15,413	18,529	33,942
Total deferred inflows of resources	121,276	151,055	272,331
NET POSITION			
Net investment in capital assets	45,761,849	2,172,468	47,934,317
Restricted for capital projects	3,501,441	-	3,501,441
Unrestricted	7,965,182	63,208	8,028,390
Total net position	57,228,472	2,235,676	59,464,148

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Major Fund</u>		
	<u>Sewer Revenue Fund</u>	<u>Solid Waste Management Fund</u>	<u>Total</u>
	\$	\$	\$
Operating revenues			
Charges for services	12,293,123	5,071,198	17,364,321
Grants	-	380,231	380,231
Miscellaneous	25,085	5,111	30,196
Total operating revenues	<u>12,318,208</u>	<u>5,456,540</u>	<u>17,774,748</u>
Operating expenses			
Salaries and wages	1,140,553	1,940,077	3,080,630
Employee benefits	347,004	607,550	954,554
Repairs and maintenance	10,622	33,499	44,121
Utilities	666,694	852	667,546
Professional services	516,075	747,347	1,263,422
Rentals and leasing	83,142	-	83,142
Insurance	29,562	35,729	65,291
Office supplies	39,303	825	40,128
Fuels and lubricants	60,423	249,888	310,311
Agricultural and chemical supplies	27,502	2,167	29,669
Minor equipment and tools	83,626	447,990	531,616
Repair parts and materials	280,613	292,556	573,169
Clothing and linens	20,426	6,470	26,896
Sewer service fees	215,711	-	215,711
Management fees	1,738,404	334,000	2,072,404
Depreciation/amortization	2,874,999	693,651	3,568,650
Travel and training	42,568	15,333	57,901
Miscellaneous	443	10,769	11,212
Total operating expenses	<u>8,177,670</u>	<u>5,418,703</u>	<u>13,596,373</u>
Operating income (loss)	<u>4,140,538</u>	<u>37,837</u>	<u>4,178,375</u>
Nonoperating revenues (expenses)			
Interest earned	135,390	5,106	140,496
Interest and fiscal charges	(1,349,769)	-	(1,349,769)
Gain (loss) on disposal of capital assets	8,133	60,438	68,571
Total nonoperating revenues (expenses)	<u>(1,206,246)</u>	<u>65,544</u>	<u>(1,140,702)</u>
Income (loss) before transfers and capital contributions	2,934,292	103,381	3,037,673
Transfers	(60,885)	519,868	458,983
Capital contributions - developers	830,250	-	830,250
Change in net position	3,703,657	623,249	4,326,906
Net position - beginning	53,524,816	1,612,426	55,137,242
Net position - ending	<u>57,228,473</u>	<u>2,235,675</u>	<u>59,464,148</u>

CITY OF AUBURN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Major Fund		Total
	Sewer Revenue Fund	Solid Waste Management Fund	
	\$	\$	
Cash flows from operating activities			
Cash collected from customers	12,242,164	5,020,591	17,262,755
Other cash collected	25,085	5,111	30,196
Customer deposits collected	16,457	16,865	33,322
Proceeds from operating grant	-	380,231	380,231
Payments to suppliers for goods and services	(3,659,826)	(2,409,266)	(6,069,092)
Payments to employees for services	(1,478,842)	(2,555,148)	(4,033,990)
Net cash provided (consumed) by operating activities (A)	<u>7,145,038</u>	<u>458,384</u>	<u>7,603,422</u>
Cash flows from noncapital financing activities			
Transfers in	45,365	574,868	620,233
Transfers out	(106,250)	(55,000)	(161,250)
Net cash provided (consumed) by noncapital financing activities	<u>(60,885)</u>	<u>519,868</u>	<u>458,983</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(2,788,000)	-	(2,788,000)
Proceeds from sale of assets	8,133	91,438	99,571
Acquisition and construction of capital assets	(1,239,493)	(564,275)	(1,803,768)
Interest and fiscal fees paid	(1,459,227)	-	(1,459,227)
Net cash provided (consumed) by capital and related financing activities	<u>(5,478,587)</u>	<u>(472,837)</u>	<u>(5,951,424)</u>
Cash flows from investing activities			
Interest on investments	135,390	5,106	140,496
Net cash provided (consumed) by investing activities	<u>135,390</u>	<u>5,106</u>	<u>140,496</u>
Net increase (decrease) in cash	1,740,956	510,521	2,251,477
Cash and cash equivalents, beginning of year	10,487,988	687,827	11,175,815
Cash and cash equivalents, end of year	<u>12,228,944</u>	<u>1,198,348</u>	<u>13,427,292</u>
Reconciliation of operating income (loss) to net cash provided by operating activities (A):			
Operating income (loss)	4,140,538	37,837	4,178,375
Add:			
Depreciation	2,874,999	693,651	3,568,650
Increase in accounts payable	148,108	-	148,108
Decrease in prepaid items	7,157	-	7,157
Increase in customer deposits	16,457	16,865	33,322
Increase in accrued leave	1,411	-	1,411
Increase in amounts due to component units	23	5,689	5,712
Increase in pension related liabilities	34,829	34,829	69,658
Increase in pension related deferred inflows	10,246	10,246	20,492
Increase in OPEB related deferred inflows	11,470	13,765	25,235
Increase in OPEB liability	241	289	530
Deduct:			
Increase in accounts receivable	(31,671)	(50,607)	(82,278)
Decrease in accounts payable	-	(226,549)	(226,549)
Decrease in accrued leave	-	(33,284)	(33,284)
Increase in amounts due from component units	(19,288)	-	(19,288)
Increase in prepaid items	-	(10,981)	(10,981)
Increase in deferred pension contributions	(42,764)	(25,304)	(68,068)
Increase in OPEB related deferred outflows	(6,718)	(8,062)	(14,780)
Net cash provided by operating activities	<u>7,145,038</u>	<u>458,384</u>	<u>7,603,422</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	830,250	-	830,250
	<u>830,250</u>	<u>-</u>	<u>830,250</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2019

	Major Component Units				Total
	Board of Education	Water Works Board	Industrial Development Board	Nonmajor Component Units	
	\$	\$	\$	\$	\$
ASSETS					
Current assets:					
Cash and cash equivalents	42,066,354	9,625,318	1,159,263	150	52,851,085
Certificates of deposit	-	-	59,406	-	59,406
Receivables, net	19,254	2,032,693	167,510	85,063	2,304,520
Accrued interest receivable	19,276	-	15,350	-	34,626
Inventories	184,404	353,298	-	-	537,702
Current portion of mortgages and notes receivable	-	-	18,020	-	18,020
Current portion of net investment in capital leases	-	-	349,385	49,763	399,148
Property tax receivable	8,298,865	-	-	-	8,298,865
Due from other government	1,186,237	3,681	-	-	1,189,918
Due from primary government	1,924,573	184,492	-	-	2,109,065
Other current assets	-	64,557	58,407	2,714	125,678
Restricted cash	-	-	218,375	-	218,375
Total current assets	<u>53,698,963</u>	<u>12,264,039</u>	<u>2,045,716</u>	<u>137,690</u>	<u>68,146,408</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	1,157,624	-	-	1,157,624
Investments	-	2,625,609	-	-	2,625,609
Interest receivable	-	4,118	-	-	4,118
Net investment in capital leases, net of current portion	-	-	4,189,128	1,222,950	5,412,078
Property for resale	-	-	8,286,183	-	8,286,183
Capital assets not being depreciated	19,660,883	3,390,723	9,837,736	-	32,889,342
Capital assets, net of accumulated depreciation	164,460,245	72,894,481	53,741,119	3,898,667	294,994,512
Total noncurrent assets	<u>184,121,128</u>	<u>80,072,555</u>	<u>76,054,166</u>	<u>5,121,617</u>	<u>345,369,466</u>
Total assets	<u>237,820,091</u>	<u>92,336,594</u>	<u>78,099,882</u>	<u>5,259,307</u>	<u>413,515,874</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	-	-	336,780	-	336,780
Deferred amounts on refunding, net	-	471,093	-	-	471,093
OPEB related	5,859,004	12,083	-	1,700	5,872,787
Pension related	14,422,684	189,666	-	33,694	14,646,044
Total deferred outflows of resources	<u>20,281,688</u>	<u>672,842</u>	<u>336,780</u>	<u>35,394</u>	<u>21,326,704</u>
LIABILITIES					
Current liabilities:					
Liabilities payable from restricted assets:					
Accounts payable	-	29,713	-	-	29,713
Due to other government	3,591	-	-	-	3,591
Current portion of long-term debt	587,971	950,000	-	-	1,537,971
Accrued interest payable	-	119,334	99,960	-	219,294
Accounts payable and other accrued liabilities	3,166,210	1,361,882	1,132,780	23,522	5,684,394
Salaries and benefits payable	6,669,773	-	-	-	6,669,773
Customer deposits	-	661,950	262,153	-	924,103
Unearned revenue	344,525	-	52,400	-	396,925
Current portion of long-term debt	-	-	12,637,417	49,763	12,687,180
Due to primary government	-	528,031	-	-	528,031
Total current liabilities	<u>10,772,070</u>	<u>3,650,910</u>	<u>14,184,710</u>	<u>73,285</u>	<u>28,680,975</u>
Noncurrent liabilities:					
Derivative instrument liability	-	-	336,780	-	336,780
Long-term debt and other liabilities	-	32,606,948	32,551,764	1,222,950	66,381,662
Net OPEB liability	63,230,114	148,403	-	18,084	63,396,601
Net pension liability	67,234,000	140,461	-	142,229	67,516,690
Total noncurrent liabilities	<u>130,464,114</u>	<u>32,895,812</u>	<u>32,888,544</u>	<u>1,383,263</u>	<u>197,631,733</u>
Total liabilities	<u>141,236,184</u>	<u>36,546,722</u>	<u>47,073,254</u>	<u>1,456,548</u>	<u>226,312,708</u>
DEFERRED INFLOWS OF RESOURCES					
Future property tax revenue	8,298,865	-	-	-	8,298,865
OPEB related	5,404,437	18,166	-	2,493	5,425,096
Pension related	7,123,000	615,161	-	11,540	7,749,701
Total deferred inflows of resources	<u>20,826,302</u>	<u>633,327</u>	<u>-</u>	<u>14,033</u>	<u>21,473,662</u>
NET POSITION					
Net investment in capital assets	184,121,128	43,264,270	22,419,272	3,898,667	253,703,337
Restricted for:					
Capital projects	-	1,157,624	-	-	1,157,624
Debt service	-	2,625,609	203,435	-	2,829,044
Other projects	2,871,002	-	-	-	2,871,002
Unrestricted	(90,952,837)	8,781,884	8,740,701	(74,547)	(73,504,799)
Total net position	<u>96,039,293</u>	<u>55,829,387</u>	<u>31,363,408</u>	<u>3,824,120</u>	<u>187,056,208</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
September 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Total Component Units		
					Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	
Governmental activities:							
Auburn Board of Education							
Functions/Programs							
Instruction	57,715,778	1,489,134	35,715,855	1,204,481	(19,306,308)	-	(19,306,308)
Instructional support	19,359,908	860,708	9,458,871	71,725	(8,968,604)	-	(8,968,604)
Operation and maintenance	8,503,984	74,162	1,778,416	707,155	(5,944,251)	-	(5,944,251)
Auxiliary services							
Student transportation services	5,382,601	164,424	3,642,030	568,720	(1,007,427)	-	(1,007,427)
Food services	4,232,511	3,208,924	211,677	-	(811,910)	-	(811,910)
General administrative services	3,109,079	3,374	440,970	-	(2,664,735)	-	(2,664,735)
Other	1,319,095	939,947	252,498	-	(126,650)	-	(126,650)
Interest and fiscal charges	10,536	-	-	-	(10,536)	-	(10,536)
Total governmental activities	<u>99,633,492</u>	<u>6,740,673</u>	<u>51,500,317</u>	<u>2,552,081</u>	<u>(38,840,421)</u>	<u>-</u>	<u>(38,840,421)</u>
Business-type activities:							
Water Works Board	11,826,294	12,595,780	-	1,866,675	-	2,636,161	2,636,161
Industrial Development Board	8,657,546	4,818,065	-	278,167	-	(3,561,314)	(3,561,314)
Public Park & Recreation Board	792,622	117,947	-	-	-	(674,675)	(674,675)
Downtown Redevelopment Authority	24,978	-	-	-	-	(24,978)	(24,978)
Total business-type activities	<u>21,301,440</u>	<u>17,531,792</u>	<u>-</u>	<u>2,144,842</u>	<u>-</u>	<u>(1,624,806)</u>	<u>(1,624,806)</u>
Total component units	<u>120,934,932</u>	<u>24,272,465</u>	<u>51,500,317</u>	<u>4,696,923</u>	<u>(38,840,421)</u>	<u>(1,624,806)</u>	<u>(40,465,227)</u>
General revenues:							
Taxes:							
Sales taxes					8,266,906	-	8,266,906
Property taxes					14,310,274	-	14,310,274
Alcoholic beverage taxes					611,284	-	611,284
Other taxes					57,212	-	57,212
Unrestricted appropriations from the City of Auburn					19,652,522	1,372,619	21,025,141
Federal/state aid not restricted					2,080	-	2,080
Interest and investment earnings					462,245	410,219	872,464
Gain (loss) on disposal of assets					23,072	(219,353)	(196,281)
Miscellaneous					1,321,680	1,431,803	2,753,483
Total general revenues					<u>44,707,275</u>	<u>2,995,288</u>	<u>47,702,563</u>
Change in net position					5,866,854	1,370,482	7,237,336
Net position - beginning					90,157,379	89,646,433	179,803,812
Prior period adjustment					15,060	-	15,060
Net position, beginning, as restated					<u>90,172,439</u>	<u>89,646,433</u>	<u>179,818,872</u>
Net position - ending					<u>96,039,293</u>	<u>91,016,915</u>	<u>187,056,208</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

	Major Business-type Component Units			Total
	Water Works Board	Industrial Development Board	Nonmajor Business-type Component Units	
	\$	\$	\$	
Operating revenues				
Lease income	-	4,818,065	-	4,818,065
Water sales and service	12,595,780	-	-	12,595,780
Tennis center revenue	-	-	117,947	117,947
Miscellaneous	188,054	1,086,004	157,745	1,431,803
Total operating revenues	12,783,834	5,904,069	275,692	18,963,595
Operating expenses				
Water treatment and pumping expense	3,145,892	-	-	3,145,892
Water distribution expense	1,431,673	-	-	1,431,673
Meter reading expense	814,336	-	-	814,336
Operations administration expense	426,258	-	-	426,258
Utility billing office expense	1,172,597	-	-	1,172,597
General operations expense	702,081	-	-	702,081
Salaries and wages	-	-	213,811	213,811
Employee benefits	-	-	55,244	55,244
Cost of property sold	-	873,842	-	873,842
Repairs and maintenance	-	325,589	45,798	371,387
Advertising	-	51,184	-	51,184
Utilities	-	152,395	123,439	275,834
Rentals and leasing	-	-	1,572	1,572
Insurance	-	-	6,132	6,132
Minor equipment and tools	-	-	20,600	20,600
Professional services	-	148,600	783	149,383
Office supplies	-	18,641	1,098	19,739
Agricultural and chemical supplies	-	-	240	240
Bad debt expense	-	166,670	-	166,670
Depreciation	2,601,406	1,411,611	323,146	4,336,163
Industrial recruitment	-	372,304	-	372,304
Industrial incentives granted	-	2,467,235	-	2,467,235
Travel and training	-	11,713	759	12,472
Special events	-	101,040	-	101,040
Workforce development	-	86,681	-	86,681
Miscellaneous	-	15,637	-	15,637
Total operating expenses	10,294,243	6,203,142	792,622	17,290,007
Operating income (loss)	2,489,591	(299,073)	(516,930)	1,673,588
Non-operating revenues (expenses)				
Interest and investment earnings	183,002	202,220	24,997	410,219
Estimated pension earnings	-	-	-	-
Appropriations from the City of Auburn	-	1,035,000	337,619	1,372,619
Amortization	(166,268)	-	-	(166,268)
Interest and fiscal charges	(1,365,783)	(2,454,404)	(24,978)	(3,845,165)
Capital contribution to the Auburn City Board of Education	-	-	-	-
Gain/(loss) on disposal of assets	10,968	(206,779)	(23,542)	(219,353)
Total non-operating revenues (expenses)	(1,338,081)	(1,423,963)	314,096	(2,447,948)
Income (loss) before capital contributions	1,151,510	(1,723,036)	(202,834)	(774,360)
Capital contributions				
From other governments	-	278,167	-	278,167
From developers	807,075	-	-	807,075
From access fees	1,059,600	-	-	1,059,600
Total capital contributions	1,866,675	278,167	-	2,144,842
Change in net position	3,018,185	(1,444,869)	(202,834)	1,370,482
Net position - beginning	52,811,202	32,808,277	4,026,954	89,646,433
Prior period adjustment	-	-	-	-
Net position, beginning, as restated	52,811,202	32,808,277	4,026,954	89,646,433
Net position - ending	55,829,387	31,363,408	3,824,120	91,016,915

**CITY OF AUBURN, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019**

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
ASSETS	
Current assets:	
Cash and cash equivalents	686,440
Total assets	686,440
NET POSITION	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	131,032
Auburn Soccer Organization	481,505
Auburn Youth Football	28,629
Auburn Community Tennis Association	21,503
Auburn Cemetery Trust	23,771
Total net position	686,440

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

CITY OF AUBURN, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Youth Athletic Associations' Private-purpose Trust Fund
ADDITIONS	\$
Program revenues:	
Baseball/Softball	138,773
Soccer	281,446
Football	32,599
Tennis	2,146
Total program revenues	454,964
Investment earnings:	
Baseball/Softball interest	265
Soccer interest	867
Football interest	41
Tennis interest	7
Cemetery Trust interest	59
Total investment earnings	1,239
Total additions	456,203
DEDUCTIONS	
Program expenses:	
Baseball/Softball	129,544
Soccer	245,192
Football	25,746
Tennis	2,682
Total deductions	403,164
Change in net position	53,039
Net position - beginning	633,401
Net position - ending	686,440

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

City of Auburn, Alabama
Guide to Notes to the Financial Statements
September 30, 2019
PDF Document

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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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.

The Council exercises a very active role in the industrial development process and has made it its priority to direct this process that has such a significant impact on the community's quality of life. The Council exercises significant influence over the IDB's budgetary adoption requests and revisions. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2019, and no assets or liabilities as of September 30, 2019.

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 a 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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2019, 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 have 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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, the City approved funding for the demolition of old tennis courts at \$28,000 and the construction of a new skate park at \$300,000. As of September 30, 2019, the City had expended approximately \$126,000 for those projects.

Summary financial information for the Indian Pines Recreation Authority as of and for the year ended September 30, 2019, is as follows:

Total assets and deferred outflows of resources	\$ 1,788,863
Total liabilities and deferred inflows of resources	<u>(331,042)</u>
Total net position	<u>\$ 1,457,821</u>
Total operating revenues	\$ 1,113,899
Total operating expenses	(1,180,907)
Other revenues	<u>1,327</u>
Net decrease in net position	<u>\$ (65,681)</u>

Lee-Russell Council of Governments

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

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.

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 – Mental Retardation Board

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 - Mental Retardation Board is not dependent on the City’s funding.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 Revenue 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 2018 Public Safety Complex Fund, a capital projects fund, accounts for funds received from the issuance of long-term debt to be expended on various capital projects approved by the City Council.

The City reports the following major proprietary fund:

The Sewer Revenue 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, fines, permits and charges, 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.

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 vacation 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$5,189,745 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	\$ 5,577,909
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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>(388,164)</u>
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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>\$ 5,189,745</u>
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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 \$9,772,717 difference are as follows:

Debt issued or incurred:	
General obligation warrants	\$ (5,259,668)
Issue premiums on new debt	-
Principal repayments	<u>15,032,385</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>\$ 9,772,717</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$348,218 difference are as follows:

Compensated absences	\$ 10,244
Accrued interest	14,149
Claims and judgments	(698,273)
Landfill closure and post-closure care	7,000
Other post employment benefits	(104,260)
Net pension liability	43,292
Amortization of deferred amount on refunding	(306,330)
Amortization of bond premiums	685,950
Amortization of prepaid expenses	<u>10</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>\$ (348,218)</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 2019 fiscal year for the General Fund, Seven-Cent Gas Tax Fund, Four and Five-Cent 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.
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, public safety expenditures of \$24,372,078 exceeded appropriations of \$24,227,213; and employee services expenditures of \$6,798,012 exceeded appropriations of \$6,350,901.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- 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 Revenue 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.

- 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, 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. 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 Liability Risk Retention 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 Workmen's 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**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 \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 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 Auburn Board of Education 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 member individual, per year, are covered through a private insurance carrier after satisfaction of a \$125,000 aggregating specific deductible.

To insure against risk of loss relating to workmen's compensation claims, the AWWB has purchased workmen's 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 Industrial Development Board 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, 2019.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2019. 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 year's service receive an additional three days annual leave on their anniversary date and employees with fifteen year's 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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation 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:
- 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. The City has no amount classified as committed fund balance as of September 30, 2019.
 - 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

- 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.
- 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- 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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2019, 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, 2019, 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, 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, 2019, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
<u>Governmental Activities</u>			
Certificates of deposit			
General Fund	\$ 1,477,889	\$ 1,477,889	2020
Special School Tax Fund	4,128,055	4,128,055	2020
Debt Service Fund	<u>2,262,014</u>	<u>2,262,014</u>	2020
Total certificates of deposit	<u>\$ 7,867,958</u>	<u>\$ 7,867,958</u>	
Investments			
U.S. Treasury Notes			
General Fund	\$ 13,501,983	\$ 13,501,983	2019-2020
Special School Tax Fund	2,499,607	2,499,607	2019-2020
2018 Public Safety Complex Fund	8,087,670	8,087,670	2019-2020
Federal Grant Loan Repayment Fund	1,498,964	1,498,964	2019
Industrial Development Revenue Bond	707,566	707,566	2023
Limited Obligation Revenue Bond	<u>1,272,714</u>	<u>1,272,714</u>	2035
Total investments	<u>\$ 27,568,504</u>	<u>\$ 27,568,504</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, 2019, was \$707,566.

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. Also due on October 1, 2035, is a balloon payment of \$300,000 that bears no interest. The balance of the City's investment at September 30, 2019, was \$1,272,714.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

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.

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, 2019, the Board of Education’s restricted cash and investments were composed of the following, all of which are insured through the SAFE Program:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash - General Fund		
Educational Trust Fund		
Advancement & Technology Fund	\$ 751,678	\$ 751,678
Fine Arts Initiative	8,319	8,319
Penny Trust Fund	2,018	2,018
Cash - Other Governmental Funds		
Child Nutrition Program	2,095,970	2,095,970
Dental Clinic	138,108	138,108
E-rate	9,988	9,988
	<u>\$ 3,006,081</u>	<u>\$ 3,006,081</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, 2019, the Water Works Board’s restricted cash, cash equivalents, and investments were comprised of the following:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (Access Fee Account)	\$ 896,888	\$ 896,888
Pooled investments with City of Auburn	260,736	260,736
Bank of New York Mellon U.S. Treasury Securities Money Market Fund	2,625,609	2,625,609
Total restricted cash and investments	<u>\$ 3,783,233</u>	<u>\$ 3,783,233</u>

The Bank of New York Mellon U.S. Treasury Securities Money Market Fund listed above is an open-end mutual fund comprised of U.S. Treasury securities totaling \$2,625,609. The fair value of the units in the fund equals the carrying value.

Restricted investments are held by a trustee and are restricted by the terms of the 2010 and 2015 bond indentures until retirement of the bonds.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

Industrial Development Board

At September 30, 2019, 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>\$ 218,375</u>	<u>\$ 218,375</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, 2020	<u>\$ 59,406</u>	<u>\$ 59,406</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

The fair value balance and notional amount of the IDB's derivative instrument outstanding at September 30, 2019, and the change in its fair value for the year then ended as reported in the 2019 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at 9/30/19</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Cash flow hedge:					
Payfixed interest					
rate swap	Deferred outflow	<u>\$ 15,177</u>	Long term liability	<u>\$ 336,780</u>	<u>\$ 3,140,000</u>

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 are 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 4. DERIVATIVE INSTRUMENTS - CONTINUED

Objective and Terms of Hedging Derivative Instrument – The following summarizes the objective and terms of the IDB's hedging derivative instrument outstanding at September 30, 2019, along with the credit rating of the associated counterparty:

Type of Derivative:	Pay-fixed, receive-variable interest rate swap.
Objective:	Hedge of changes in cash flows on the Series 2006-A Taxable Industrial Development Refunding and Improvement Bonds.
Notional Amount:	The swap's notional amount matches the principal amount of the Series 2006-A Bonds. As the principal amount of the bonds declines, the notional amount of the swap also declines. The notional amount as of September 30, 2019, was \$3,140,000.
Effective Date of Derivative:	8/1/2006
Maturity Date of Derivative:	7/1/2022
Terms:	The Board pays the counterparty a fixed payment of 5.87% on the notional amount, and receives a variable payment in return based on the one-month U.S. dollar London Interbank Rate (LIBOR). The variable rate on the bonds is reset weekly by auction.
Counterparty Credit Rating:	A-/A-2; A2

Credit Risk – As of September 30, 2019, the IDB is not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the IDB would be exposed to credit risk in the amount of the swap's positive fair value. To mitigate the potential for credit risk, if the counterparty's credit rating falls below BBB or the equivalent by two of the major rating agencies, the IDB will have the option of terminating the agreement, requesting assignment of the agreement to another counterparty, or requiring that the counterparty provide collateral payable to the IDB in the event the counterparty defaults under its obligations.

Interest rate Risk – The IDB is exposed to interest rate risk on the interest rate swap. As LIBOR decreases, the IDB's net payment on the swap increases.

Basis Risk – The swap exposes the IDB to basis risk because the variable-rate payments received by the IDB on the interest rate swap are based on a rate other than interest rates the IDB pays on its hedged variable-rate debt, which is remarketed weekly. As of September 30, 2019, the interest rate on the IDB's hedged variable-rate debt was 2.04% and LIBOR was 2.05363%.

Termination Risk – The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event," under which the swap may be terminated by the IDB with five business days prior written notice. The IDB or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination, the hedging derivative instrument is in a liability position, the IDB would be liable to the counterparty for a payment equal to the liability.

Rollover Risk – The IDB is exposed to rollover risk since the swap matures prior to the maturity of the associated debt. When the swap terminates, the IDB will be re-exposed to the risks being hedged by the hedging derivative instrument.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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	2018 Public Safety Complex Fund	Nonmajor Governmental Funds	Sewer Revenue Fund	Nonmajor Proprietary Fund	Component Units	Total
Receivables:								
Revenues receivable	\$ 12,156,252	\$ 135,606	\$ -	\$ 297,293	\$ 1,787,989	\$ 667,438	\$ 2,266,953	\$ 17,311,531
Grants receivable	-	-	-	643,120	-	30,231	-	673,351
Receivable from other governmental units	1,072,439	-	-	-	-	-	-	1,072,439
Other receivables	<u>741,412</u>	<u>3,764,137</u>	<u>26,410</u>	<u>1,767</u>	<u>43,929</u>	<u>-</u>	<u>123,841</u>	<u>4,701,496</u>
Gross receivables	13,970,103	3,899,743	26,410	942,180	1,831,918	697,669	2,390,794	23,758,817
Less: allowance for uncollectibles	<u>(2,569,138)</u>	<u>-</u>	<u>-</u>	<u>(184,517)</u>	<u>(120,118)</u>	<u>(50,546)</u>	<u>(86,274)</u>	<u>(3,010,593)</u>
Net receivables	<u>\$ 11,400,965</u>	<u>\$ 3,899,743</u>	<u>\$ 26,410</u>	<u>\$ 757,663</u>	<u>\$ 1,711,800</u>	<u>\$ 647,123</u>	<u>\$ 2,304,520</u>	<u>\$ 20,748,224</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 on 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, 2019 was \$65,338 and is presented in the financial statements as advances to other agencies. Future payments due under the loans are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 18,809	\$ 1,987	\$ 20,796
2021	19,478	1,318	20,796
2022	20,170	626	20,796
2023	<u>6,881</u>	<u>44</u>	<u>6,925</u>
	<u>\$ 65,338</u>	<u>\$ 3,975</u>	<u>\$ 69,313</u>

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

COMPONENT UNITS**Industrial Development Board**

Mortgages and notes receivable consist of the following as of September 30, 2019:

	Balance 10/01/2018	Additions	Reductions	Balance 09/30/2019	Due Within One Year
Mortgages receivable	\$ 75,568	\$ -	\$ (75,568)	\$ -	\$ -
Notes receivable - other	<u>193,327</u>	<u>98,980</u>	<u>(274,287)</u>	<u>18,020</u>	<u>18,020</u>
Total	<u>\$ 268,895</u>	<u>\$ 98,980</u>	<u>\$ (349,855)</u>	<u>\$ 18,020</u>	<u>\$ 18,020</u>

Mortgages Receivable

In June, 2006, the Industrial Development Board made a loan to a new company purchasing an existing industry located in one of its industrial parks. The principal amount of the loan was \$200,000; and the loan was secured by a second mortgage on the real property and by a personal guaranty from the owner of the company. During fiscal year 2013, the repayment terms for the mortgage were amended as follows: no interest is charged for the remainder of the term, and the maturity date was adjusted to May 1, 2018. During fiscal year 2019, the IDB purchased the company's facility and the loan balance was collected at closing.

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. The loan is secured by a personal guaranty from each owner of the business.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6. MORTGAGES AND NOTES RECEIVABLE – CONTINUED

In September of 2017, the IDB made three loans to a new company locating in Auburn to help the company cover additional facility construction costs. The principal amount of the first loan was \$74,400, and the note bears interest at a rate of 5.25%. Monthly payments of principal and interest are due until July 1, 2022, at which time the loan matures. The principal amount of the second loan was \$67,728, and the note bears interest at a rate of 5.0%. Monthly payments of principal and interest are due until December 1, 2019, at which point the note matures. The principal amount of the third loan was \$82,160, and the note bears interest at a rate of 5.0%. Monthly payments of principal and interest are due until December 1, 2019, at which point the note matures. In January 2019, the company had not paid rent or note payments for three months. A new loan was created in the amount of \$98,980, with an interest rate of 3.0% for a term of eighteen months. In August 2019, the company had defaulted on all of its obligations to the Board, and subsequent to year end, the Board determined that these amounts were uncollectible as of September 30, 2019.

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, 2019:

	Balance 10/1/2018	Additions	Reclassi- fications	Disposals	Balance 9/30/2019
Land and buildings	\$ 4,334,604	\$ 873,842	\$ -	\$ (1,352,365)	\$ 3,856,081
Improvements in progress	<u>5,633,597</u>	<u>150,353</u>	<u>-</u>	<u>(1,353,848)</u>	<u>4,430,102</u>
Total property held for resale	<u>\$ 9,968,201</u>	<u>\$ 1,024,195</u>	<u>\$ -</u>	<u>\$ (2,706,213)</u>	<u>\$ 8,286,183</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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%

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Balance 10/1/2018</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,340,777	\$ 742,936	\$ (2,000)	\$ 25,081,713
Construction in progress	<u>21,281,393</u>	<u>32,273,324</u>	<u>(6,158,222)</u>	<u>47,396,495</u>
Total capital assets, not being depreciated	<u>45,622,170</u>	<u>33,016,260</u>	<u>(6,160,222)</u>	<u>72,478,208</u>
Capital assets, being depreciated:				
Buildings and improvements	53,206,812	1,319,285	(700,183)	53,825,914
Heavy equipment	3,744,982	310,093	(48,513)	4,006,562
Office equipment	4,947,349	733,801	-	5,681,150
Small tools and equipment	1,726,429	214,009	(29,756)	1,910,682
Vehicles	10,578,786	717,692	(729,929)	10,566,549
Infrastructure	<u>196,403,617</u>	<u>9,686,307</u>	<u>-</u>	<u>206,089,924</u>
Total capital assets, being depreciated	<u>270,607,975</u>	<u>12,981,187</u>	<u>(1,508,381)</u>	<u>282,080,781</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,788,123)	(1,632,224)	318,692	(20,101,655)
Heavy equipment	(2,198,230)	(258,426)	48,513	(2,408,143)
Office equipment	(3,638,962)	(390,595)	-	(4,029,557)
Small tools and equipment	(1,421,224)	(178,697)	25,085	(1,574,836)
Vehicles	(7,522,552)	(1,002,036)	729,929	(7,794,659)
Infrastructure	<u>(76,558,418)</u>	<u>(3,479,524)</u>	<u>-</u>	<u>(80,037,942)</u>
Total accumulated depreciation	<u>(110,127,509)</u>	<u>(6,941,502)</u>	<u>1,122,219</u>	<u>(115,946,792)</u>
Total capital assets, being depreciated, net	<u>160,480,466</u>	<u>6,039,685</u>	<u>(386,162)</u>	<u>166,133,989</u>
Governmental activities capital assets, net	<u>\$ 206,102,636</u>	<u>\$ 39,055,945</u>	<u>\$ (6,546,384)</u>	<u>\$ 238,612,197</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2019, was as follows:

	Balance 10/1/2018	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2019
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	<u>518,527</u>	<u>611,980</u>	<u>(804,102)</u>	<u>326,405</u>
Total capital assets, not being depreciated	<u>683,153</u>	<u>611,980</u>	<u>(804,102)</u>	<u>491,031</u>
Capital assets, being depreciated:				
Buildings and improvements	22,090,676	706,353	-	22,797,029
Sewage plants and lines	78,901,831	938,994	(456,287)	79,384,538
Machinery and equipment	4,398,456	430,856	(30,587)	4,798,725
Small tools and equipment	7,200	-	-	7,200
Vehicles	<u>6,581,769</u>	<u>776,044</u>	<u>(743,741)</u>	<u>6,614,072</u>
Total capital assets, being depreciated	<u>111,979,932</u>	<u>2,852,247</u>	<u>(1,230,615)</u>	<u>113,601,564</u>
Less accumulated depreciation for:				
Buildings, improvements, plants and lines	(25,060,359)	(2,244,806)	456,288	(26,848,877)
Machinery and equipment	(1,845,639)	(456,413)	30,587	(2,271,465)
Small tools and equipment	(7,200)	-	-	(7,200)
Vehicles	<u>(3,990,281)</u>	<u>(867,431)</u>	<u>712,741</u>	<u>(4,144,971)</u>
Total accumulated depreciation	<u>(30,903,479)</u>	<u>(3,568,650)</u>	<u>1,199,616</u>	<u>(33,272,513)</u>
Total capital assets, being depreciated, net	<u>81,076,453</u>	<u>(716,403)</u>	<u>(30,999)</u>	<u>80,329,051</u>
Business-type activities capital assets, net	<u>\$ 81,759,606</u>	<u>\$ (104,423)</u>	<u>\$ (835,101)</u>	<u>\$ 80,820,082</u>

It is the City's policy to capitalize net interest costs on funds borrowed to finance the construction of business-type capital assets. For the year ended September 30, 2019, the City incurred interest costs of \$1,347,010; total interest expense was \$1,320,902, and interest cost of \$26,108 was capitalized in connection with the cost of construction in progress.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government and administration	\$ 467,121
Public works	3,860,752
Environmental services	64,249
Public safety	872,547
Library	154,191
Parks and recreation	1,072,447
Development services	366,886
Social and economic development	2,962
Employee services	<u>80,347</u>
Total depreciation expense - governmental activities	<u>\$ 6,941,502</u>
Business-type activities:	
Sewer revenue fund	\$ 2,874,999
Solid waste management fund	<u>693,651</u>
Total depreciation expense - business-type activities	<u>\$ 3,568,650</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9. CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

Board of Education

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Balance 10/1/2018</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,180,620	\$ 93,413	\$ -	\$ 12,274,033
Construction in progress	<u>16,382,396</u>	<u>7,439,298</u>	<u>(16,434,844)</u>	<u>7,386,850</u>
Total capital assets, not being depreciated	<u>28,563,016</u>	<u>7,532,711</u>	<u>(16,434,844)</u>	<u>19,660,883</u>
Capital assets, being depreciated:				
Land improvements	5,498,259	171,108	-	5,669,367
Buildings and improvements	183,384,981	16,606,301	-	199,991,282
Furniture, equipment and vehicles	<u>13,494,210</u>	<u>1,407,281</u>	<u>(628,371)</u>	<u>14,273,120</u>
Total capital assets, being depreciated	<u>202,377,450</u>	<u>18,184,690</u>	<u>(628,371)</u>	<u>219,933,769</u>
Less accumulated depreciation for:				
Land improvements	(3,345,145)	(150,459)	-	(3,495,604)
Buildings and improvements	(38,978,295)	(4,327,990)	-	(43,306,285)
Furniture, equipment and vehicles	<u>(8,273,891)</u>	<u>(1,020,785)</u>	<u>623,041</u>	<u>(8,671,635)</u>
Total accumulated depreciation	<u>(50,597,331)</u>	<u>(5,499,234)</u>	<u>623,041</u>	<u>(55,473,524)</u>
Total capital assets, being depreciated, net	<u>151,780,119</u>	<u>12,685,456</u>	<u>(5,330)</u>	<u>164,460,245</u>
Total governmental activities capital assets, net	<u>\$ 180,343,135</u>	<u>\$ 20,218,167</u>	<u>\$ (16,440,174)</u>	<u>\$ 184,121,128</u>

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

Governmental activities:	
Instruction	\$ 4,544,455
Instructional support	73,071
Operation and maintenance	76,580
Auxiliary services	
Student transportation services	752,116
Food services	45,399
General administrative services	<u>7,613</u>
Total depreciation expense - governmental activities	<u>\$ 5,499,234</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9. CAPITAL ASSETS - CONTINUED**Water Works Board**

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Balance 10/1/2018</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance 9/30/2019</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land and land clearing	\$ 1,349,510	\$ 281,235	\$ -	\$ 1,630,745
Construction in progress	<u>545,288</u>	<u>1,476,401</u>	<u>(261,711)</u>	<u>1,759,978</u>
Total capital assets, not being depreciated	<u>1,894,798</u>	<u>1,757,636</u>	<u>(261,711)</u>	<u>3,390,723</u>
Capital assets, being depreciated:				
Utility system and plant	96,555,454	1,009,197	(163,505)	97,401,146
Buildings and improvements	7,144,807	13,886	-	7,158,693
Office equipment	749,035	-	-	749,035
Mobile equipment	885,162	80,967	(30,108)	936,021
Machinery and equipment	757,600	51,509	-	809,109
Tools	<u>419,742</u>	<u>30,730</u>	<u>-</u>	<u>450,472</u>
Total capital assets, being depreciated	<u>106,511,800</u>	<u>1,186,289</u>	<u>(193,613)</u>	<u>107,504,476</u>
Less accumulated depreciation for:				
Utility system and plant	(27,354,979)	(2,037,820)	163,505	(29,229,294)
Buildings and improvements	(3,034,709)	(286,090)	-	(3,320,799)
Office equipment	(551,509)	(52,958)	-	(604,467)
Mobile equipment	(562,856)	(126,469)	21,075	(668,250)
Tools	<u>(689,117)</u>	<u>(98,068)</u>	<u>-</u>	<u>(787,185)</u>
Total accumulated depreciation	<u>(32,193,170)</u>	<u>(2,601,405)</u>	<u>184,580</u>	<u>(34,609,995)</u>
Total capital assets, being depreciated, net	<u>74,318,630</u>	<u>(1,415,116)</u>	<u>(9,033)</u>	<u>72,894,481</u>
Business-type activity capital assets, net	<u>\$ 76,213,428</u>	<u>\$ 342,520</u>	<u>\$ (270,744)</u>	<u>\$ 76,285,204</u>

It is the AWWB's policy to capitalize net interest costs on funds borrowed to finance the construction of capital assets. For the year ended September 30, 2019, the AWWB incurred interest costs of \$1,322,687; total interest expense was \$1,361,119, and negative interest cost of \$38,432 was capitalized in connection with the cost of construction in progress.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9. CAPITAL ASSETS - CONTINUED**Industrial Development Board**

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/1/2018	Additions	Retirements/ Reclassifications	Balance 9/30/2019
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 7,861,832	\$ -	\$ (184,056)	\$ 7,677,776
Construction in progress	<u>1,325</u>	<u>2,388,639</u>	<u>(230,004)</u>	<u>2,159,960</u>
Total capital assets, not being depreciated	<u>7,863,157</u>	<u>2,388,639</u>	<u>(414,060)</u>	<u>9,837,736</u>
Capital assets, being depreciated:				
Buildings	63,714,608	-	(1,573,900)	62,140,708
Building improvements	2,871,587	152,547	226,566	3,250,700
Land improvements	1,792,248	105,945	(63,392)	1,834,801
Equipment	546,785	200,136	-	746,921
Vehicles	<u>170,075</u>	<u>36,804</u>	<u>(34,264)</u>	<u>172,615</u>
Total capital assets, being depreciated	<u>69,095,303</u>	<u>495,432</u>	<u>(1,444,990)</u>	<u>68,145,745</u>
Accumulated depreciation				
Buildings	(11,266,500)	(1,255,930)	384,796	(12,137,634)
Building improvements	(675,583)	(68,792)	802	(743,573)
Land improvements	(828,013)	(62,982)	27,998	(862,997)
Equipment	(530,784)	(5,800)	-	(536,584)
Vehicles	<u>(139,996)</u>	<u>(18,107)</u>	<u>34,265</u>	<u>(123,838)</u>
Total accumulated depreciation	<u>(13,440,876)</u>	<u>(1,411,611)</u>	<u>447,861</u>	<u>(14,404,626)</u>
Total capital assets, being depreciated, net	<u>55,654,427</u>	<u>(916,179)</u>	<u>(997,129)</u>	<u>53,741,119</u>
Total capital assets, net	<u>\$ 63,517,584</u>	<u>\$ 1,472,460</u>	<u>\$ (1,411,189)</u>	<u>\$ 63,578,855</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9. CAPITAL ASSETS - CONTINUED**Public Park and Recreation Board**

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Balance</u> <u>10/1/2018</u>	<u>Transfers/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deductions</u>	<u>Balance</u> <u>9/30/2019</u>
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,409,637	\$ 77,500	\$ (56,501)	\$ 7,430,636
Machinery and equipment	55,454	7,096	-	62,550
Vehicles	<u>46,103</u>	<u>9,149</u>	<u>-</u>	<u>55,252</u>
Total capital assets, being depreciated	<u>7,511,194</u>	<u>93,745</u>	<u>(56,501)</u>	<u>7,548,438</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,262,694)	(319,458)	32,958	(3,549,194)
Machinery and equipment	(50,787)	(2,925)	-	(53,712)
Vehicles	<u>(46,103)</u>	<u>(762)</u>	<u>-</u>	<u>(46,865)</u>
Total accumulated depreciation	<u>(3,359,584)</u>	<u>(323,145)</u>	<u>32,958</u>	<u>(3,649,771)</u>
Business-type activity capital assets, net	<u>\$ 4,151,610</u>	<u>\$ (229,400)</u>	<u>\$ (23,543)</u>	<u>\$ 3,898,667</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019, was as follows:

	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2019</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 85,325,000	\$ -	\$ (1,915,000)	\$ 83,410,000	\$ 1,995,000
General obligation warrants	77,767,035	-	(8,787,035)	68,980,000	3,400,000
General obligation warrants from direct placements	42,345,326	5,259,668	(4,150,350)	43,454,644	4,364,683
Add: bond issue premiums	<u>9,347,474</u>	<u>-</u>	<u>(685,947)</u>	<u>8,661,527</u>	<u>-</u>
Total bonds and warrants payable	214,784,835	5,259,668	(15,538,332)	204,506,171	9,759,683
Notes payable	2,608,000	-	(180,000)	2,428,000	180,000
Accumulated annual leave	2,518,381	372,196	(382,439)	2,508,138	133,479
Claims payable	286,066	1,250,385	(503,481)	1,032,970	164,267
Landfill closure and postclosure care liability	119,000	-	(7,000)	112,000	7,000
Other postemployment benefits liability	3,340,131	5,029	-	3,345,160	-
Net pension liability	<u>31,644,643</u>	<u>963,579</u>	<u>-</u>	<u>32,608,222</u>	<u>-</u>
Governmental activity long-term liabilities	<u>255,301,056</u>	<u>7,850,857</u>	<u>(16,611,252)</u>	<u>246,540,661</u>	<u>10,244,429</u>
Business-type activities:					
General obligation warrants payable:					
Warrants payable	35,370,000	-	(12,440,000)	22,930,000	1,115,000
Warrants payable from direct placements	-	9,652,000	-	9,652,000	1,821,000
Add: warrant issue premiums	3,049,506	-	(489,958)	2,559,548	-
Less: warrant issue discounts	<u>(420)</u>	<u>-</u>	<u>420</u>	<u>-</u>	<u>-</u>
Total warrants payable	38,419,086	9,652,000	(12,929,538)	35,141,548	2,936,000
Accumulated annual leave	173,751	23,228	(55,100)	141,879	8,513
Other postemployment benefits liability	337,811	530	-	338,341	-
Net pension liability	<u>2,303,832</u>	<u>69,658</u>	<u>-</u>	<u>2,373,490</u>	<u>-</u>
Business-type activity long-term liabilities	<u>41,234,480</u>	<u>9,745,416</u>	<u>(12,984,638)</u>	<u>37,995,258</u>	<u>2,944,513</u>
Total primary government long-term liabilities	<u>\$ 296,535,536</u>	<u>\$ 17,596,273</u>	<u>\$ (29,595,890)</u>	<u>\$ 284,535,919</u>	<u>\$ 13,188,942</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.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

Bonds, notes, and warrants payable of the City of Auburn at September 30, 2019, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2019	Year of Final Principal Maturity
Governmental activities:						
Bonds payable:						
General obligation bonds, Dated 7/1/09 ('09 Capital Projects)	2%-4%	5/1-11/1	Full faith credit and taxing power of the City of Auburn	\$ 9,000,000	\$ 1,815,000	2021
General obligation bonds, Dated 5/1/12 ('12 Capital Projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,000,000	1,960,000	2024
General obligation refunding bonds, Dated 8/1/12 (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	570,000	2021
General obligation refunding bonds, Dated 10/28/14 (Partially refund '07 bonds)	2%-4%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	2,510,000	920,000	2021
General obligation bonds, Dated 6/23/15 (New High School and School Capital Improvements)	2.25%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	<u>78,145,000</u>	<u>78,145,000</u>	2045
Total bonds payable				<u>99,835,000</u>	<u>83,410,000</u>	
Notes Payable:						
Note payable, U. S. Dept of Housing and Urban Development, Dated 3/27/12 (Loan Guarantee Assistance)	LIBOR+0.2%	Monthly	Section 108 Loan Program Fund	<u>3,312,000</u>	<u>2,428,000</u>	2034

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2019	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants Dated 09/22/06 (Tennis Center - AU Portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	1,654,897	2026
General obligation refunding school warrants, Dated 6/1/10 (Refund '02 School Warrants)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,020,000	14,520,000	2026
General obligation warrants Dated 7/27/10 (Refund IDB '00-A Bonds)	2.90%	Monthly	Full faith credit and taxing power of the City of Auburn	3,010,000	313,722	2020
General obligation warrants Dated 7/27/10 (Refund IDB '04-A Bonds)	4.84%	Monthly	Full faith credit and taxing power of the City of Auburn	10,275,000	4,434,629	2024
General obligation warrants Dated 8/20/10 (Purch Bldg - 155 AL St.)	3.03%	Monthly	Full faith credit and taxing power of the City of Auburn	1,870,000	533,446	2022
General obligation school warrants Dated 2/22/12 (Pick elementary school and land)	2.78%	Monthly	Special School Tax Fund ad valorem taxes	18,500,000	12,639,141	2032
General obligation warrants Dated 9/7/12 (Cary Creek Perm. Financing)	1.86%	3/1-9/1	Full faith credit and taxing power of the City of Auburn	1,829,100	548,730	2022
General obligation refunding school warrants Dated 8/1/12 (partially refund '05 warrants - school expansion)	2% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,080,000	14,385,000	2030
General obligation warrants Dated 11/9/12 (West Tech Park - Phase II)	1.72%	Monthly	Full faith credit and taxing power of the City of Auburn	5,525,000	1,853,350	2022
General obligation warrants Dated 10/28/14 (partially refund '05 warrants - school improvement)	1% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	10,240,000	10,020,000	2035

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2019	Year of Final Principal Maturity
General obligation school warrants Dated 08/04/17 (New Elementary School)	2.58%	2/1-8/1	Special School Tax Fund ad valorem taxes	18,000,000	16,583,982	2037
General obligation warrants Dated 05/08/18 (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	30,055,000	2048
General obligation warrants Dated 12/11/18 (Refund '08 warrants) (Auburn HS renovations)	3.01%	Monthly	Special School Tax Fund ad valorem taxes	5,259,668	4,892,747	2028
Total warrants payable				<u>153,918,768</u>	<u>112,434,644</u>	
Total governmental activity bonds, notes, and warrants payable				<u>257,065,768</u>	<u>198,272,644</u>	
Business-type activities:						
Warrants payable:						
General obligation warrants Dated 8/1/12 (Refund '01 warrants; Sewer capital projects) ('01 warrants - sewer plant and expansion)	2% - 5%	2/1-8/1	Sewer Fund	10,030,000	4,010,000	2032
General obligation warrants Dated 10/28/14 (Partial refund '08 warrants)	3%-5%	6/1-12/1	Sewer Fund	19,240,000	18,920,000	2033
General obligation warrants Dated 12/11/18 (Refund '09 warrants)	2.72%	1/1-7/1	Sewer Fund	9,652,000	9,652,000	2024
Total business type activity warrants payable				<u>38,922,000</u>	<u>32,582,000</u>	
Total bonds, notes, and warrants payable				<u>\$295,987,768</u>	<u>\$ 230,854,644</u>	

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019:

Fiscal Year	Total Annual Requirements			Governmental Activity Bonds, Notes, and Warrants Payable			Business-type Activity Warrants Payable		
	Principal	Interest	Total	Payable from General Governmental		Total Requirements	Principal	Interest	Total Requirements
				Issues					
2020	\$ 12,875,683	\$ 9,119,393	\$ 21,995,076	\$ 9,939,683	\$ 7,873,180	\$ 17,812,863	\$ 2,936,000	\$ 1,246,213	\$ 4,182,213
2021	13,748,142	8,627,959	22,376,101	10,704,142	7,488,873	18,193,015	3,044,000	1,139,086	4,183,086
2022	12,232,196	8,135,255	20,367,451	9,072,196	7,107,529	16,179,725	3,160,000	1,027,726	4,187,726
2023	12,485,351	7,684,901	20,170,252	9,203,351	6,773,321	15,976,672	3,282,000	911,580	4,193,580
2024	12,730,569	7,191,980	19,922,549	9,330,569	6,401,167	15,731,736	3,400,000	790,813	4,190,813
2025	9,681,552	6,731,083	16,412,635	8,251,552	6,037,389	14,288,941	1,430,000	693,694	2,123,694
2026	11,375,623	6,313,389	17,689,012	9,875,623	5,692,695	15,568,318	1,500,000	620,694	2,120,694
2027	9,077,516	5,812,647	14,890,163	7,502,516	5,268,453	12,770,969	1,575,000	544,194	2,119,194
2028	9,263,869	5,417,634	14,681,503	7,603,869	4,953,815	12,557,684	1,660,000	463,819	2,123,819
2029	9,135,915	5,019,728	14,155,643	7,395,915	4,640,534	12,036,449	1,740,000	379,194	2,119,194
2030	9,431,032	4,664,876	14,095,908	7,626,032	4,352,557	11,978,589	1,805,000	312,319	2,117,319
2031	9,822,645	4,363,029	14,185,674	7,962,645	4,105,535	12,068,180	1,860,000	257,494	2,117,494
2032	9,344,058	4,065,096	13,409,154	7,424,058	3,865,581	11,289,639	1,920,000	199,515	2,119,515
2033	8,771,266	3,729,159	12,500,425	7,176,266	3,605,534	10,781,800	1,595,000	123,625	1,718,625
2034	9,096,692	3,348,487	12,445,179	7,421,692	3,306,612	10,728,304	1,675,000	41,875	1,716,875
2035	7,652,799	2,961,942	10,614,741	7,652,799	2,961,942	10,614,741			
2036	5,765,607	2,639,591	8,405,198	5,765,607	2,639,591	8,405,198			
2037	5,994,129	2,410,529	8,404,658	5,994,129	2,410,529	8,404,658			
2038	5,065,000	2,170,369	7,235,369	5,065,000	2,170,369	7,235,369			
2039	5,280,000	1,948,844	7,228,844	5,280,000	1,948,844	7,228,844			
2040	5,510,000	1,716,169	7,226,169	5,510,000	1,716,169	7,226,169			
2041	5,750,000	1,471,506	7,221,506	5,750,000	1,471,506	7,221,506			
2042	6,000,000	1,228,156	7,228,156	6,000,000	1,228,156	7,228,156			
2043	6,260,000	974,156	7,234,156	6,260,000	974,156	7,234,156			
2044	6,540,000	709,056	7,249,056	6,540,000	709,056	7,249,056			
2045	6,805,000	453,250	7,258,250	6,805,000	453,250	7,258,250			
2046	1,660,000	187,050	1,847,050	1,660,000	187,050	1,847,050			
2047	1,720,000	126,875	1,846,875	1,720,000	126,875	1,846,875			
2048	1,780,000	64,525	1,844,525	1,780,000	64,525	1,844,525			
Total	\$ 230,854,644	\$ 109,286,634	\$ 340,141,278	\$ 198,272,644	\$100,534,793	\$ 298,807,437	\$ 32,582,000	\$ 8,751,841	\$ 41,333,841

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

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, 2019, \$58,125,000 of defeased bonds and warrants remain outstanding.

On December 11, 2018, the City issued its \$5,259,668 General Obligation Warrants with an average interest rate of 3.01% to refund \$5,146,641 of outstanding 2008 General Obligation Warrants with an average interest rate of 4.76% maturing in 2019 through 2028. The net proceeds of \$5,218,168 (after payment of \$41,500 in issuance costs) were used to fully redeem the 2008 Warrants. The refunding resulted in a \$71,527 difference between the reacquisition price and the net carrying amount of the old debt. This difference was charged to operations during 2019 as opposed to being deferred and amortized as management determined it to be immaterial. The City completed the current refunding to reduce its total debt service payments over the next ten years by \$368,537 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$323,470.

On December 11, 2018, the City issued its \$9,652,000 General Obligation Sewer Warrants with an average interest rate of 2.72% to refund \$9,630,000 of outstanding 2009 General Obligation Sewer Warrants with an average interest rate of 4.25% maturing in 2019 through 2024. The net proceeds of \$9,623,500 (after payment of \$28,500 in issuance costs) were used to fully redeem the 2009 Warrants. The refunding resulted in a \$1,328 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 2024 using the straight-line method. The City completed the current refunding to reduce its total debt service payments over the next six years by \$281,743 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$262,128.

COMPONENT UNITS**Water Works Board**Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2010 issue	\$ 15,940,000	\$ -	\$ (850,000)	\$15,090,000	\$ 890,000
Bonds payable - 2015 issue	16,580,000	-	(60,000)	16,520,000	60,000
Premiums on bonds	<u>1,992,705</u>	-	<u>(110,677)</u>	<u>1,882,028</u>	<u>-</u>
	<u>34,512,705</u>	<u>-</u>	<u>(1,020,677)</u>	<u>33,492,028</u>	<u>950,000</u>
Accumulated annual leave	60,629	5,673	(1,382)	64,920	-
Other postemployment					
benefits liability	148,104	299	-	148,403	-
Net pension liability	<u>149,568</u>	<u>-</u>	<u>(9,107)</u>	<u>140,461</u>	<u>-</u>
	<u>358,301</u>	<u>5,972</u>	<u>(10,489)</u>	<u>353,784</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>\$ 34,871,006</u>	<u>\$ 5,972</u>	<u>\$ (1,031,166)</u>	<u>\$33,845,812</u>	<u>\$ 950,000</u>

Bonds payable at September 30, 2019, are comprised of an original bond issue of \$21,595,000 dated June 1, 2010 and an original bond issue of \$16,695,000 dated November 24, 2015. The 2010 bond proceeds were used to call the 2001 and 2002 series bonds dated July 1, 2001 and August 1, 2002, respectively, and to fund various capital projects. The 2010 bonds were issued at an average interest rate of 4.35%. The stated maturity dates of the 2010 bonds are September 1 beginning in 2011 and continuing through 2032. The 2015 bond proceeds were used to fund the Lake Ogletree spillway project. The 2015 bonds were issued at an average interest rate of 4.68%. The stated maturity dates of the 2015 bonds are September 1 beginning in 2017 and continuing through 2040.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2019, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2019	Year of Final Principal Maturity
Business type activities						
Bonds payable:						
Capital improvement bonds, Dated 06/01/10	3.0% to 5.0%	3/1-9/1	Revenues	\$ 21,595,000	\$ 15,090,000	2032
Capital improvement bonds, Dated 11/24/15	3.0% to 5.0%	3/1-9/1	Revenues	\$ 16,695,000	\$ 16,520,000	2040

The following schedule shows debt service to maturity for bonds payable of the Water Works Board of the City of Auburn at September 30, 2019:

Year ending September 30	Principal	Interest	Total
2020	\$ 950,000	\$ 1,432,012	\$ 2,382,012
2021	995,000	1,386,613	2,381,613
2022	1,030,000	1,354,725	2,384,725
2023	1,060,000	1,321,738	2,381,738
2024	1,095,000	1,287,775	2,382,775
2025-2029	6,335,000	5,585,450	11,920,450
2030-2034	7,910,000	4,006,125	11,916,125
2035-2039	9,955,000	1,960,300	11,915,300
2040	2,280,000	105,300	2,385,300
Total	\$ 31,610,000	\$ 18,440,038	\$ 50,050,038

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 to be made into each of the special funds. These coverage requirements have been met by the AWWB for the year ended September 30, 2019.

Industrial Development Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due Within One Year
Long term notes payable	\$ 42,899,982	\$ 1,407,417	\$ (4,709,134)	\$ 39,598,265	\$ 9,826,501
Short term notes payable	-	2,450,916	-	2,450,916	2,450,916
Bonds payable	3,475,000	-	(335,000)	3,140,000	360,000
Total	\$ 46,374,982	\$ 3,858,333	\$ (5,044,134)	\$ 45,189,181	\$ 12,637,417

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

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%. No draws were made against the line in fiscal year 2019, and the amount of available credit at September 30, 2019 was \$1,000,000. All equipment owned by the Board is pledged as security for the line of credit.

Bonds payable

Bonds payable at September 30, 2019, 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, 2020. 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 2019 was 2.393%. Interest incurred for the fiscal year amounted to \$199,103.

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 day's 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 on the bonds, computed at the maximum rate of interest. The letter of credit expires on September 1, 2020. If notice is not given by River Bank & Trust within one hundred twenty days of the expiration of the letter of credit, it is automatically renewed in one-year periods until September 1, 2023. In the event the remarketing agent is unable to resell the tendered bonds, any principal drawn on the letter of credit to purchase the bonds bears interest at a variable rate equal to the prime rate. Principal maturities on the letter of credit in the event that all the bonds were tendered and not resold would be as follows:

<u>Fiscal Year</u>	<u>Principal Maturities</u>
2020	\$ 360,000
2021	<u>2,780,000</u>
	<u>\$ 3,140,000</u>

The IDB is required to pay to 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. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES – CONTINUED

In addition to the optional tender provision, the terms of the credit agreement require that the IDB redeem the bonds on the following mandatory tender dates at the indicated principal amounts:

Fiscal Year	Series 2006-A
2020	\$ 360,000
2021	385,000
2022	415,000
2023	445,000
2024	475,000
2025	510,000
2026	550,000
Total	<u>\$ 3,140,000</u>

The following schedule shows debt service requirements to maturity for the bonds outstanding at September 30, 2019, using the variable interest rate in effect on the last day of the fiscal year (2.04%):

Fiscal Year	Series 2006-A		Total
	Principal	Interest	
2020	\$ 360,000	\$ 62,829	\$ 422,829
2021	385,000	55,399	440,399
2022	415,000	47,443	462,443
2023	445,000	38,875	483,875
2024	475,000	29,695	504,695
2025	510,000	19,885	529,885
2026	550,000	9,345	559,345
Total	<u>\$ 3,140,000</u>	<u>\$ 263,471</u>	<u>\$ 3,403,471</u>

Swap payments and associated debt – With respect to the Series 2006-A bonds, the IDB entered into an interest rate swap agreement with Allied Irish Bank to hedge the changes in cash flows on the variable-rate bonds (see Note 4). Using rates as of September 30, 2019, debt service requirements of the variable rate debt and net swap payments on the associated hedging derivative instrument are presented below. These amounts assume that current interest rates on the variable-rate bonds and the current reference rates of the hedging derivative instrument will remain the same for their term. As these rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year	Series 2006-A Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2020	\$ 360,000	\$ 62,829	\$ 117,538	\$ 540,367
2021	385,000	55,399	103,640	544,039
2022	415,000	47,443	68,614	531,057
2023	445,000	38,875	-	483,875
2024	475,000	29,695	-	504,695
2025	510,000	19,885	-	529,885
2026	550,000	9,345	-	559,345
Total	<u>\$ 3,140,000</u>	<u>\$ 263,471</u>	<u>\$ 289,792</u>	<u>\$ 3,693,263</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10. LONG-TERM LIABILITIES - CONTINUED

Long-term notes payable

Notes payable of the IDB at September 30, 2019, are comprised of the following individual issues:

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Principal Issued</u>	<u>Principal Outstanding 9/30/2019</u>	<u>Year of Final Principal Maturity</u>
Auburn Bank	5.000%	Monthly	\$ 8,670,000	\$ 4,455,922	2024
Auburn Bank	5.000%	Monthly	2,157,341	1,854,815	2020
Auburn Bank	5.000%	Monthly	300,000	198,472	2022
Auburn Bank	5.000%	Monthly	3,144,057	2,471,191	2024
Auburn Bank	5.000%	Monthly	2,146,000	1,588,378	2022
Auburn Bank	5.000%	Monthly	1,290,000	701,569	2022
Auburn Bank	5.000%	Monthly	2,274,000	1,640,356	2022
Auburn Bank	5.000%	Monthly	1,025,000	569,334	2022
Auburn Bank	5.000%	Monthly	4,753,000	3,993,069	2021
Auburn Bank	5.000%	Monthly	493,000	493,000	2024
Auburn Bank	5.000%	Monthly	825,000	528,907	2024
Auburn Bank	5.500%	Monthly	3,968,914	3,883,944	2024
Auburn Bank	5.000%	Monthly	875,000	850,840	2024
Auburn Bank	5.000%	Monthly	1,300,000	1,231,123	2023
Auburn Bank	4.850%	Monthly	7,000,000	6,050,626	2020
Auburn Bank	5.000%	Monthly	260,000	193,676	2021
Auburn Bank	5.000%	Monthly	422,500	398,749	2023
Auburn Bank	5.000%	Monthly	3,685,863	3,445,483	2022
Auburn Bank	4.500%	Monthly	2,700,000	2,513,993	2022
River Bank & Trust	4.950%	Monthly	2,656,136	1,827,252	2024
City of Auburn	3.030%	Monthly	1,800,000	707,566	2023
Total notes payable			<u>\$ 51,745,811</u>	<u>\$ 39,598,265</u>	

Proceeds of the notes were used to purchase and construct industrial buildings held for leasing by the IDB, to purchase property for resale, 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, 2019:

<u>Fiscal Year</u>	<u>Total Annual Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,826,501	\$ 1,851,222	\$ 11,677,723
2021	5,815,462	1,317,045	7,132,507
2022	10,809,938	1,004,600	11,814,538
2023	2,659,235	593,561	3,252,796
2024	10,073,283	246,734	10,320,017
2025	413,846	1,725	415,571
Total	<u>\$ 39,598,265</u>	<u>\$ 5,014,887</u>	<u>\$ 44,613,152</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019, totaled \$148,327.

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, 2019, totaled \$1,288,064.

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, 2019, totaled \$573,772.

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, 2019, was \$7,677,776, and \$62,140,708, respectively; accumulated depreciation on the buildings was \$12,137,634. Rents received during fiscal year 2019 were \$4,752,187. Of the twenty-four leases in effect at September 30, 2019, thirteen were noncancelable. Nine leases are month-to-month and two leases have a cancellation clause allowing the lessee to cancel by giving notice at least 30 days prior to the expiration of each renewal term; one lease provides for automatic one-year renewal terms ending on May 31, 2025, and annual minimum rentals of \$35,000 payable in advance, and the other has an initial term of twenty-seven months with escalating minimum rentals (total of \$77,004 over the term of the lease) and a provision for automatic one-year renewals if prior notice to vacate is not received.

During fiscal year 2006, one of the operating leases was amended to provide for expansion of the current facility. In September 2011, the lease was further amended to conform to the terms of the amended trust agreement related to the Series 2006-A bonds (see Note 10). Pursuant to the terms of an interest rate swap (see Note 4), rentals due under the lease were changed in 2009 to variable amounts equal to the total debt service on the Series 2006-A bonds, including certain fees related to the debt, and payments due under the rate swap agreement. The lease was further amended in 2013 to incorporate an additional expansion. Because the debt service payments are based on variable rates and include payments due under the swap, rental amounts included in the following schedule are calculated using rates in effect as of September 30, 2019.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 12. LEASE AGREEMENTS - CONTINUED

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, 2019:

<u>Fiscal Year</u>	<u>Future Minimum Rental Payments</u>
2020	\$ 4,104,078
2021	4,087,501
2022	3,900,083
2023	3,577,852
2024	2,954,428
2025	2,950,769
2026	2,807,731
2027	1,707,305
2028	1,544,256
2029	1,305,525
2030	973,008
2031	508,931
2032	508,931
2033	<u>127,233</u>
Total	<u>\$ 31,057,631</u>

Capital leases

- A. The IDB has leased, under capital leases, nine 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 lease payments were received in fiscal year 2019, 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 2019. The leases expire in 2024, 2027, 2028 and 2043.

- B. The IDB has three 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, 2034 and 2040. The components of the net investment in sales-type capital leases at September 30, 2019 are as follows:

Total minimum lease payments to be received	\$ 6,413,286
Less: unearned income	<u>(1,874,773)</u>
Net investment in capital lease	<u>\$ 4,538,513</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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 12. LEASE AGREEMENTS - CONTINUED

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

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2020	\$ 566,070
2021	566,070
2022	566,070
2023	477,952
2024	354,587
2025	354,587
2026	354,587
2027	354,587
2028	354,587
2029	72,053
Thereafter	<u>2,392,136</u>
Total	<u>\$ 6,413,286</u>

- C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. Three of the operating leases in effect at the end of the fiscal year are non-cancelable, two are month-to-month, one is cancelable with 120 days' notice, three are cancelable with 90 days' notice, and one is cancelable with 30 days' notice. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. Rents received during fiscal year 2019 were \$144,348. As of September 30, 2019, all of the non-cancelable leases expire within one year. Future minimum rentals of \$27,175 are due under the non-cancelable leases in fiscal year 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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.

Members are eligible for disability retirement if they have 10 years of credible 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 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active Members	56,760
Post-DROP participants who are still in active service	141
	90,999
	90,999

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 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, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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, 2019, the City’s active employee contribution rate was 7.77% of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 13.16% of pensionable payroll.

The City’s contractually required contribution rate for the year ended September 30, 2019 was 10.91% of pensionable pay for Tier 1 employees, and 7.70% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$3,192,281 for the year ended September 30, 2019.

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2017	\$ 105,847,551	\$ 107,628,697
(b) Discount rate	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	2,420,659	2,443,798
(d) Transfers Among Employers	-	35,394
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	<u>(5,549,049)</u>	<u>(5,549,049)</u>
(f) TPL as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x(1+ 0.5*(b))]	<u>\$ 110,707,321</u>	<u>\$ 112,632,612</u>

Actuarial assumptions. The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

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

* 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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>	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 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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2017	<u>\$ 105,847,551</u>	<u>\$ 71,760,164</u>	<u>\$ 34,087,387</u>
Changes for the year:			
Service cost	2,420,659	-	2,420,659
Interest	7,988,160	-	7,988,160
Changes of assumptions	650,117	-	650,117
Difference between expected and actual experience	1,239,780	-	1,239,780
Contributions - employer	-	2,886,965	(2,886,965)
Contributions - employee	-	1,773,476	(1,773,476)
Net investment income	-	6,601,723	(6,601,723)
Benefit payments, including refunds of employee contributions	(5,549,049)	(5,549,049)	-
Transfers among employers	35,394	35,394	-
Net changes	<u>6,785,061</u>	<u>5,748,509</u>	<u>1,036,552</u>
Balances at September 30, 2018	<u>\$ 112,632,612</u>	<u>\$ 77,508,673</u>	<u>\$ 35,123,939</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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	\$ 49,648,471	\$ 35,123,939	\$ 23,002,044

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor’s report dated September 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2019, the City recognized pension expense of (\$21,210). At September 30, 2019, 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	\$ 1,968,601	\$ 92,591
Changes of assumptions	2,704,294	-
Net difference between projected and actual earnings on pension plan investments	-	2,517,348
Employer contributions subsequent to the measurement date	3,192,281	-
	<u>\$ 7,865,176</u>	<u>\$ 2,609,939</u>

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:	
2020	\$ 591,999
2021	\$ (192,760)
2022	\$ 61,299
2023	\$ 722,731
2024	\$ 640,762
Thereafter	\$ 238,925

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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 credible 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, 2019, was 12.41% of annual pay for Tier 1 members and 11.35% 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 amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$5,880,684 for the year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2019, the Board reported a liability of \$67,234,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017. 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, 2018, the Board's proportion was 0.676221%, which was an increase of 0.016924% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the Board recognized pension expense of \$6,954,982. At September 30, 2019, 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	\$ 1,451,000	\$ 2,048,000
Changes of assumptions	3,737,000	-
Net difference between projected and actual earnings on pension plan investments	-	5,075,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,354,000	-
Employer contributions subsequent to the measurement date	5,880,684	-
	<u>\$ 14,422,684</u>	<u>\$ 7,123,000</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date (\$5,880,684) will be recognized as a reduction of the net pension liability in the year ended September 30, 2020.

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:		
2020	\$	1,941,000
2021	\$	(440,000)
2022	\$	(619,000)
2023	\$	355,000
2024	\$	182,000

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2017, 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.

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 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%

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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:

	<u>1% Decrease (6.70%)</u>	<u>Current Discount Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
Board's proportionate share of collective net pension liability	\$ 93,590,000	\$ 67,234,000	\$ 44,940,000

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, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2018. The auditor’s report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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, 2019, AWWB’s active employee contribution rate was 3.06 percent of covered payroll, and AWWB’s average contribution rate to fund the normal and accrued liability costs was 2.99 percent of pensionable payroll.

The AWWB’s contractually required contribution rate for the year ended September 30, 2019 was 5.80 percent of pensionable pay for Tier 1 employees and 3.65 percent of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$77,918 for the year ended September 30, 2019.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability. The AWWB's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2017	\$ 3,329,460	\$ 3,420,913
(b) Discount rate	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	104,938	105,886
(d) Transfers Among Employers	-	-
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	<u>(178,648)</u>	<u>(178,648)</u>
(f) TPL as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x(1+ 0.5*(b))]	<u>\$ 3,506,861</u>	<u>\$ 3,604,684</u>

Changes in Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at September 30, 2017	\$ 3,329,460	\$ 3,179,892	\$ 149,568
Changes for the year:			
Service cost	104,938	-	104,938
Interest	251,111	-	251,111
Changes in assumptions	21,194	-	21,194
Difference between expected and actual experience	76,629	-	76,629
Contributions - employer	-	101,635	(101,635)
Contributions - employee	-	67,495	(67,495)
Net investment income	-	293,849	(293,849)
Benefit payments, including refunds of employee contributions	<u>(178,648)</u>	<u>(178,648)</u>	<u>-</u>
Net changes	<u>275,224</u>	<u>284,331</u>	<u>(9,107)</u>
Balances at September 30, 2018	<u>\$ 3,604,684</u>	<u>\$ 3,464,223</u>	<u>\$ 140,461</u>

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:

	<u>1% Decrease (6.70%)</u>	<u>Current Discount Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
Net pension liability	\$ 610,172	\$ 140,461	\$ (255,792)

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2019, the AWWB recognized pension income of \$144,857. At September 30, 2019, AWWB reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 66,805	\$ 505,247
Changes of assumptions	50,262	-
Net difference between projected and actual earnings on plan investments	-	109,914
Employer contributions subsequent to the measurement date	<u>72,599</u>	<u>-</u>
Total	<u>\$ 189,666</u>	<u>\$ 615,161</u>

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:		
2020	\$	(91,975)
2021	\$	(127,541)
2022	\$	(116,312)
2023	\$	(84,355)
2024	\$	(41,622)
Thereafter	\$	(36,289)

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.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employees covered by benefit terms. At September 30, 2019, the following employees were covered by the benefit terms:

	<u>General Fund</u>	<u>Sewer Revenue Fund</u>	<u>Solid Waste Management Fund</u>	<u>Water Works Board</u>	<u>Public Park and Recreation Board</u>	<u>Total</u>
Inactive employees or beneficiaries						
currently receiving benefit payments	28	3	-	3	-	34
Active plan members	<u>494</u>	<u>22</u>	<u>30</u>	<u>28</u>	<u>4</u>	<u>578</u>
Total	<u><u>522</u></u>	<u><u>25</u></u>	<u><u>30</u></u>	<u><u>31</u></u>	<u><u>4</u></u>	<u><u>612</u></u>

Total OPEB Liability

The City's total OPEB liability of \$3,683,501 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.125% per year
Salary increases:	3.375% to 5.125%, including inflation
Employer funding policy:	Pay-as-you-go cash basis
Healthcare cost trend rates:	7.5% for 2020, decreasing 0.5% per year to an ultimate rate of 5.0% for 2026 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, 2019 valuation was 3.58%.

Mortality rates were based on the RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.)

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2016 to September 30, 2017.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Changes in the Total OPEB Liability

	General Fund	Sewer Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Total OPEB Liability 9/30/2018	\$ 3,340,131	\$ 153,297	\$ 184,514	\$ 148,104	\$ 18,047	\$ 3,844,093
Changes for the year:						
Service cost	92,912	4,450	5,340	5,517	711	108,930
Interest	137,686	6,594	7,913	8,177	1,055	161,425
Changes in assumptions	179,751	8,609	10,330	10,675	1,377	210,742
Differences between expected and actual experience	(296,336)	(14,192)	(17,031)	(17,598)	(2,271)	(347,428)
Benefit payments	(108,984)	(5,220)	(6,263)	(6,472)	(835)	(127,774)
Net change in total OPEB liability	5,029	241	289	299	37	5,895
Total OPEB Liability 9/30/2019	\$ 3,345,160	\$ 153,538	\$ 184,803	\$ 148,403	\$ 18,084	\$ 3,849,988
Plan fiduciary net position 9/30/2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes for the year:						
Contributions - employer	108,984	5,220	6,263	6,472	835	127,774
Benefit payments	(108,984)	(5,220)	(6,263)	(6,472)	(835)	(127,774)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position 9/30/2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 29,197,946	\$ 1,262,492	\$ 1,664,048	\$ 1,725,926	\$ 222,700	\$ 34,073,112
Net OPEB liability as % of covered payroll	11.46%	12.16%	11.11%	8.60%	8.12%	11.30%

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
General Fund	\$ 3,654,863	\$ 3,345,160	\$ 2,997,658
Sewer Revenue Fund	170,311	153,538	139,686
Solid Waste Management Fund	204,874	184,803	168,034
Water Works Board	164,213	148,403	134,685
Public Park and Recreation Board	59,968	18,084	49,184
Total	<u>\$ 4,254,229</u>	<u>\$ 3,849,988</u>	<u>\$ 3,489,248</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 4.00 percent) or 1-percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
General Fund	\$ 2,916,327	\$ 3,345,160	\$ 3,767,602
Sewer Revenue Fund	135,896	153,538	175,564
Solid Waste Management Fund	163,475	184,803	211,194
Water Works Board	131,031	148,403	169,279
Public Park and Recreation Board	47,850	18,084	61,817
Total	<u>\$ 3,394,579</u>	<u>\$ 3,849,988</u>	<u>\$ 4,385,456</u>

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019, the Plan recognized OPEB expense of \$122,236. At September 30, 2019, 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 Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	
Differences between expected and actual experience	\$ 224,707	\$ 10,471	\$ 12,596	\$ 12,083	\$ 1,700	\$ 261,557

	Deferred Intflows of Resources					Total
	General Fund	Sewer Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	
Change of assumptions or other inputs	\$ 328,212	\$ 15,413	\$ 18,529	\$ 18,166	\$ 2,493	\$ 382,813

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 Revenue Fund	Solid Waste Management Fund	Water Works Board	Public Park and Recreation Board	Total
Year ended September 30:						
2020	\$ (17,480)	\$ (815)	\$ (980)	\$ (940)	\$ (132)	\$ (20,346)
2021	\$ (17,480)	\$ (815)	\$ (980)	\$ (940)	\$ (132)	\$ (20,346)
2022	\$ (17,480)	\$ (815)	\$ (980)	\$ (940)	\$ (132)	\$ (20,346)
2023	\$ (17,480)	\$ (815)	\$ (980)	\$ (940)	\$ (132)	\$ (20,346)
2024	\$ (17,480)	\$ (815)	\$ (980)	\$ (940)	\$ (132)	\$ (20,347)
Thereafter	\$ (16,772)	\$ (782)	\$ (940)	\$ (902)	\$ (127)	\$ (19,523)

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**COMPONENT UNITS**Board of EducationGeneral 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 PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (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 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, eye glasses, 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).

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Effective January 1, 2017, 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. The MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees 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% percent for each year of service over 25 subject to adjustment by the 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, 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, 2019, the Auburn City Board of Education (ABOE) reported a liability of \$63,230,114 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. 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, 2018, the ABOE's proportion was .769342%, which was an increase of .033606% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the ABOE recognized pension expense of \$3,961,461, with no special funding situations. At September 30, 2019, the ABOE 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	\$ 1,190,430	\$ -
Changes of assumptions	-	3,079,890
Net difference between projected and actual earnings on OPEB plan investments	-	338,787
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,322,873	1,985,760
Employer contributions subsequent to the measurement date	<u>2,345,701</u>	<u>-</u>
	<u>\$ 5,859,004</u>	<u>\$ 5,404,437</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Deferred outflows of resources related to OPEB resulting from ABOE contributions subsequent to the measurement date (\$2,345,701) will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020.

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:	
2020	\$ (699,486)
2021	\$ (699,486)
2022	\$ (699,486)
2023	\$ (623,429)
2024	\$ 639,213
Thereafter	\$ 191,540

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, 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	4.18%
Municipal bond index rate at the prior measurement date	3.57%
Projected year for Fiduciary Net Position (FNP) to be depleted	2029
Single equivalent interest rate at the measurement date	4.44%
Single equivalent interest rate at the prior measurement date	4.63%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	5.00%
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.

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 all ages 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, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017, valuation.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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.

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

	Target <u>Allocation</u>	Long-Term Expected Rate <u>of Return*</u>
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	<u>5.00%</u>	1.50%
Total	<u><u>100.00%</u></u>	

*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, 2018, was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees’ Health Insurance Board for active employees shall 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 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% 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. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2029. The long term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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 (6.00% decreasing to 3.75% for pre-Medicare, 4.00% decreasing to 3.75% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.75% for pre-Medicare, 5.00% decreasing to 4.75% for Medicare eligible)	1% Increase (8.00% decreasing to 5.75% for pre-Medicare, 6.00% decreasing to 5.75% for Medicare eligible)
Board's proportionate share of collective net OPEB liability	\$ 51,976,594	\$ 63,230,114	\$ 77,557,416

The following table presents the ABOE’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.44%, 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 (3.44%)	Current discount rate (4.44%)	1% Increase (5.44%)
Board's proportionate share of collective net OPEB liability	\$ 75,533,153	\$ 63,230,114	\$ 53,305,944

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, 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 15. WORKMEN'S COMPENSATION SELF-INSURANCE

The City has retained risk of loss for workmen's 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:

	<u>Fiscal Year</u>	
	<u>2019</u>	<u>2018</u>
Unpaid claims, beginning of year	<u>\$ 175,238</u>	<u>\$ 104,105</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	1,190,019	310,278
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	<u>7,620</u>	<u>(48,839)</u>
Total incurred claims	<u>1,197,639</u>	<u>261,439</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(334,055)	(160,864)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(119,427)</u>	<u>(29,442)</u>
Total payments	<u>(453,482)</u>	<u>(190,306)</u>
Unpaid claims, end of year	<u>\$ 919,395</u>	<u>\$ 175,238</u>

Total liability for uninsured workmen's compensation claims at September 30, 2019, is recorded as follows: \$85,692 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$833,703, along with the estimated liability for insured risks of \$113,575, is recorded in the primary government's governmental activities' long-term debt and other liabilities in the government-wide financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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	
	2019	2018
Unpaid claims, beginning of year	<u>\$ 118,234</u>	<u>\$ 133,320</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	5,147,861	3,943,011
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	<u>16,879</u>	<u>3,507</u>
Total incurred claims	<u>5,164,740</u>	<u>3,946,518</u>
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(4,873,290)	(3,824,777)
Claims attributable to prior years' events where the City has retained risk of loss	<u>(148,259)</u>	<u>(136,827)</u>
Total payments	<u>(5,021,549)</u>	<u>(3,961,604)</u>
Unpaid claims, end of year (includes claims incurred but not reported)	<u>\$ 261,425</u>	<u>\$ 118,234</u>

The unpaid claims as of September 30, 2019, 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, 2019, by the State (\$2,393) 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, 2019:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 5,249,313 *	\$ 118,884	\$ 47,842	\$ 5,082,587
Special 5-Mill Tax Fund	5	5,238,151 **	118,884	47,842	5,071,425
Special School Tax Fund	<u>16</u>	<u>18,057,480</u>	<u>406,336</u>	<u>166,428</u>	<u>17,484,716</u>
Property tax totals	<u>26</u>	<u>\$ 28,544,944</u>	<u>\$ 644,104</u>	<u>\$ 262,112</u>	<u>\$ 27,638,728</u>

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

** Reduced by industrial tax exemptions.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary Government interfund receivables and payables for the year ended September 30, 2019 consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
\$ 1,927,616	General Fund	2018 Public Safety Complex Fund	Provide cash flow for capital projects
420,832	General Fund	Nonmajor Governmental Funds	Provide cash flow for grants program
<u>47,278</u>	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Provide cash flow for grants program
<u>\$ 2,395,726</u>			

NOTE 20. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2019:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 441,244	\$ 620,233
Nonmajor Governmental Funds	<u>177,457</u>	<u>457,451</u>
Total governmental activities	<u>618,701</u>	<u>1,077,684</u>
Major Proprietary Fund		
Sewer Revenue Fund	45,365	106,250
Nonmajor proprietary fund	<u>574,868</u>	<u>55,000</u>
Total business-type activities	<u>620,233</u>	<u>161,250</u>
Total primary government	<u>\$ 1,238,934</u>	<u>\$ 1,238,934</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 BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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	\$ -	\$ 1,924,573
Water Works Board	528,031	184,492
Primary Government		
General Fund	59,124	456,406
Special School Tax Fund	1,924,573	-
Sewer Revenue Fund	91,990	71,302
Nonmajor proprietary fund	33,378	323
Total	<u>\$ 2,637,096</u>	<u>\$ 2,637,096</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	\$ -	\$ 14,370,572
Special School Tax Fund	-	9,586,329
Nonmajor governmental funds	-	136,370
Component Units		
Auburn City Board of Education	22,584,282	-
Industrial Development Board	1,171,370	-
Public Parks and Recreation Board	337,619	-
Total	<u>\$ 24,093,271</u>	<u>\$ 24,093,271</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 \$22,584,282 to the Board of Education during the year, \$19,652,522 of which is reported as unrestricted appropriations from the City with the balance of \$2,931,760 reported as property tax revenue.

The City appropriated \$1,035,000 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 \$136,370 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 \$10,851,765.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 HODAG and 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 Urban Development Action Grant (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.

CITY OF AUBURN, ALABAMA

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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	\$ 37,939	\$ 23,743	\$ 362	\$ 42,870	\$ 6,176	\$ -	\$ 111,090
Investments	-	-	-	-	-	1,498,964	1,498,964
Receivables, net	-	-	-	-	-	1,767	1,767
Mortgages receivable	51,222	-	96,605	858,172	429,886	586,296	2,022,181
Restricted cash	-	-	-	-	-	276,710	276,710
Total assets	\$ 89,161	\$ 23,743	\$ 96,967	\$ 901,042	\$ 436,062	\$ 2,363,737	\$ 3,910,712
Liabilities and Fund Balance							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 8	\$ 124	\$ 32	\$ -	\$ 164
Due to other funds	-	-	-	42,186	5,093	-	47,279
Unearned revenue	51,672	-	96,654	858,172	429,892	573,772	2,010,162
Total liabilities	51,672	-	96,662	900,482	435,017	573,772	2,057,605
Fund balance:							
Restricted - social & economic	37,489	23,743	305	560	1,045	1,789,965	1,853,107
Total liabilities and fund balance	\$ 89,161	\$ 23,743	\$ 96,967	\$ 901,042	\$ 436,062	\$ 2,363,737	\$ 3,910,712
Revenues							
Program income	\$ -	\$ -	\$ 7,310	\$ 77,541	\$ 42,775	\$ 397,085	\$ 524,711
Interest	546	193	3,193	558	9,046	59,675	73,211
Miscellaneous	-	-	33	18	323	-	374
Total revenues	546	193	10,536	78,117	52,144	456,760	598,296
Expenditures							
Economic development	-	-	84,418	-	-	187,675	272,093
Debt service - principal	-	-	-	-	-	180,000	180,000
Debt service - interest	-	-	-	-	-	76,673	76,673
Total expenditures	-	-	84,418	-	-	444,348	528,766
Excess (deficiency) of revenues over expenditures	546	193	(73,882)	78,117	52,144	12,412	69,530
Other financing sources (uses)							
Transfers in	-	-	29,670	-	-	-	29,670
Transfers out	(29,670)	-	-	(88,933)	(58,853)	-	(177,456)
Total other financing sources (uses)	(29,670)	-	29,670	(88,933)	(58,853)	-	(147,786)
Net changes in fund balance	(29,124)	193	(44,212)	(10,816)	(6,709)	12,412	(78,256)
Fund balance, beginning of year	66,613	23,550	44,517	11,376	7,754	1,777,553	1,931,363
Fund balance, end of year	\$ 37,489	\$ 23,743	\$ 305	\$ 560	\$ 1,045	\$ 1,789,965	\$ 1,853,107

* Net of interfund eliminations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 23. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE 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	\$ 91,286	\$ 166,039	\$ 257,325
Liabilities and fund balance			
Unearned revenue	\$ -	\$ 100,588	\$ 100,588
Fund balance			
Restricted - law enforcement	91,286	65,451	156,737
Total liabilities and fund balance	\$ 91,286	\$ 166,039	\$ 257,325
Revenues			
Contributions from the public	\$ 17,619	\$ 30,390	\$ 48,009
Interest	653	1,061	1,714
Total revenues	18,272	31,451	49,723
Expenditures			
Public safety	6,660	31,451	38,111
Excess (deficiency) of revenues over expenditures			
	11,612	-	11,612
Other financing sources (uses)			
Sale of surplus assets	105	-	105
Net changes in fund balances			
	11,717	-	11,717
Fund balance, beginning of year	79,569	65,451	145,020
Fund balance, end of year	\$ 91,286	\$ 65,451	\$ 156,737

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 <u>Operations</u>	Special Improvement <u>Projects</u>	Employee Benefit <u>Risk Financing</u>	General Liability <u>Risk Financing</u>	Total (Net of <u>Eliminations)</u>
Assets					
Cash and cash equivalents	\$ 26,916,652	\$ 1,510,920	\$ 852,564	\$ 1,159,694	\$ 30,439,830
Certificates of deposit	1,392,323	85,566	-	-	1,477,889
Investments	15,482,263	-	-	-	15,482,263
Receivables, net	10,572,723	799,940	28,302	-	11,400,965
Due from other funds	2,348,448	-	-	-	2,348,448
Due from component units	439,628	-	16,778	-	456,406
Inventories	288,960	-	-	-	288,960
Prepaid items	74,105	-	-	-	74,105
Advances to other agencies	65,338	-	-	-	65,338
Restricted cash	250,997	-	-	-	250,997
Property for resale	<u>4,131,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,131,127</u>
Total assets	<u>\$ 61,962,564</u>	<u>\$ 2,396,426</u>	<u>\$ 897,644</u>	<u>\$ 1,159,694</u>	<u>\$ 66,416,328</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 6,038,234	\$ -	\$ 51,308	\$ -	\$ 6,089,542
Due to component units	59,124	-	-	-	59,124
Customer deposits	232,319	-	-	-	232,319
Claims payable	-	-	262,369	164,267	426,636
Unearned revenue	<u>847,416</u>	<u>2,396,974</u>	<u>-</u>	<u>-</u>	<u>3,244,390</u>
Total liabilities	<u>7,177,093</u>	<u>2,396,974</u>	<u>313,677</u>	<u>164,267</u>	<u>10,052,011</u>
Fund balances					
Nonspendable					
Inventories	288,960	-	-	-	288,960
Prepaid items	74,105	-	-	-	74,105
Advances	65,338	-	-	-	65,338
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Law enforcement	250,997	-	-	-	250,997
Other projects	1,980,280	-	-	-	1,980,280
Assigned					
General	17,234,592	-	-	-	17,234,592
Unassigned	<u>30,839,822</u>	<u>(548)</u>	<u>83,967</u>	<u>1,415,677</u>	<u>32,338,918</u>
Total fund balances	<u>54,865,221</u>	<u>(548)</u>	<u>83,967</u>	<u>1,415,677</u>	<u>56,364,317</u>
Total liabilities and fund balances	<u>\$ 62,042,314</u>	<u>\$ 2,396,426</u>	<u>\$ 397,644</u>	<u>\$ 1,579,944</u>	<u>\$ 66,416,328</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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	\$ 43,804,081	\$ -	\$ -	\$ -	\$ 43,804,081
Occupational license fees	13,286,009	-	-	-	13,286,009
Motor fuel taxes	848,822	-	-	-	848,822
Lodging taxes	2,581,724	-	-	-	2,581,724
Rental and leasing taxes	856,729	-	-	-	856,729
Other taxes	275,007	-	-	-	275,007
Licenses and permits	15,188,191	-	-	-	15,188,191
General property tax	6,231,852	-	-	-	6,231,852
Charges for services	8,435,524	-	4,427,492	-	12,863,016
Fines and forfeitures	1,075,769	-	-	-	1,075,769
State shared taxes	2,440,699	-	-	-	2,440,699
Contributions from the public	799,314	182,910	-	-	982,224
Interest	789,759	13,334	10,709	11,130	824,932
Miscellaneous	30,226	1	(3)	-	30,224
Total revenues	<u>96,643,706</u>	<u>196,245</u>	<u>4,438,198</u>	<u>11,130</u>	<u>101,289,279</u>
Expenditures					
General government and administration	5,676,641	-	-	-	5,676,641
Public works	3,518,894	-	-	-	3,518,894
Environmental services	1,590,544	-	-	-	1,590,544
Public safety	24,372,078	-	-	-	24,372,078
Library	2,277,413	-	-	-	2,277,413
Parks and recreation	5,837,058	-	-	-	5,837,058
Planning	5,118,011	-	-	-	5,118,011
Economic development	3,364,801	-	-	-	3,364,801
Employee services	908,570	-	5,889,442	-	6,798,012
Risk management	244,759	-	-	170,370	415,129
Total departmental	52,908,769	-	5,889,442	170,370	58,968,581
Non-departmental	2,284,881	-	-	-	2,284,881
Debt service:					
Administrative charges	3,039	-	-	-	3,039
Interest	1,998,369	13,609	-	-	2,011,978
Principal retirement	4,792,721	182,910	-	-	4,975,631
Capital outlay	12,854,764	-	-	-	12,854,764
Intergovernmental	1,777,751	-	-	-	1,777,751
Payments to component units	14,370,572	-	-	-	14,370,572
Total expenditures	<u>90,990,866</u>	<u>196,519</u>	<u>5,889,442</u>	<u>170,370</u>	<u>97,247,197</u>
Excess (deficiency) of revenues over expenditures	<u>5,652,840</u>	<u>(274)</u>	<u>(1,451,244)</u>	<u>(159,240)</u>	<u>4,042,082</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government <u>Operations</u>	Special Improvement <u>Projects</u>	Employee Benefit <u>Risk Financing</u>	General Liability <u>Risk Financing</u>	Total (Net of Eliminations)
Other financing sources (uses)					
Sale of surplus assets	88,477	-	-	-	88,477
Transfers in	381,244	-	-	60,000	441,244
Transfers out	<u>(620,233)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(620,233)</u>
Total other financing sources (uses)	<u>(150,512)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>(90,512)</u>
Net changes in fund balances	5,502,328	(274)	(1,451,244)	(99,240)	3,951,570
Fund balances, beginning of year	<u>49,362,893</u>	<u>(274)</u>	<u>1,535,211</u>	<u>1,514,917</u>	<u>52,412,747</u>
Fund balances, end of year	<u>\$ 54,865,221</u>	<u>\$ (548)</u>	<u>\$ 83,967</u>	<u>\$ 1,415,677</u>	<u>\$ 56,364,317</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 \$13,168,642 as of September 30, 2019.

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 2019, the City paid Veolia \$1,738,404 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
2020	\$ 357,512
2021	357,858
2022	358,835
2023	356,706
2024	357,875
2025	<u>358,818</u>
Total	<u>\$ 2,147,604</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019, the City was not named defendant in any pending lawsuits.

In fiscal year 2019, the City expended \$585,528 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:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>
Drake Middle School Plan 2028	\$ 21,835,980	\$ 2,700,935	\$ 19,135,045
Cary Woods Elementary School Plan 2028	16,062,621	3,506,694	12,555,927
Tennis Pavilion	524,600	98,771	425,829
East Samford School Plan 2028	437,500	3,863	433,637
ACS Master Plan 2028	440,529	-	440,529
Transportation Building	54,375	13,594	40,781
DRES & AJHS reroofing projects	<u>800,123</u>	<u>784,673</u>	<u>15,450</u>
Total	<u>\$ 40,155,728</u>	<u>\$ 7,108,530</u>	<u>\$ 33,047,198</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 \$127,250 for the fiscal year ended September 30, 2019.

The approximate remaining annual minimum lease payments under the noncancelable operating leases existing as of September 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 102,649
2021	26,572
2022	<u>13,309</u>
Total	<u>\$ 142,530</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

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 \$10,536 for the year ended September 30, 2019.

The following is a summary of changes in the ABOE’s obligations under capital lease for the year ended September 30, 2019:

	Capital Lease Payable
Balance, September 30, 2018	\$ 1,170,697
New leases	-
Principal repayments	<u>(582,726)</u>
Balance, September 30, 2019	<u>\$ 587,971</u>

As of September 30, 2019, the future minimum lease payments due under the capital lease include the final payment of \$593,263, due during the year ending September 30, 2020. The payment includes \$587,971 of principal and \$5,292 of interest.

Contingency - Audit of Grants - 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 \$2,385,920 as of September 30, 2019.

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 \$.56 per 1,000 gallons (\$117,734) for the year ended September 30, 2019. The term of the agreement is twenty years, with six five-year extension options. Total water pumped in the 2019 fiscal year was 463,294,000 gallons with a total annual payment of \$259,445.

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 is adjusted each fiscal year. The term of the agreement is twenty-five years, with eleven five-year extension options.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

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, 2019, the IDB was committed under certain construction contracts in the approximate amount of \$1,600,000. 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 \$18,000 of these incentives were paid by the IDB.

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.

In June 2019, the Board signed a contract to purchase a facility in the Auburn Industrial Park for \$1.7 million. A loan commitment in the amount of \$1.445 million was received from a local bank to finance the purchase. As of September 30, 2019, the purchase was still pending and closing was completed in October 2019. Loan closing costs in the amount of \$11,000 were incurred to obtain the loan. The building will be held primarily for leasing.

In June 2019, the Board signed an agreement with an industry that is currently leasing a facility from the Board. The terms of the agreement provide for an expansion of the facility that will be financed by the Board and upon completion, a capital lease to sell the expanded facility to the tenant. The cost of the expansion is estimated to be approximately \$3.8 million, and the selling price of the expanded facility is estimated to be approximately \$5.8 million. The Board obtained a \$5.5 million loan to consolidate the current debt on the building and the construction costs of the expansion. The capital lease has a term of twenty years. Title to the property will be conveyed to the industry at the end of the lease term if all obligations under the lease have been satisfied, or at any time prior to the end of the lease term if the total remaining balance due under the lease is paid.

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.

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 2019. The \$112,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2019, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 \$871,881 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 \$28,855 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 \$1,033,686 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, \$1,240,431 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.

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. Total derived taxes rebated on this agreement are \$2,675,477. The agreement expires in 2039.

NOTE 28. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

The City has evaluated subsequent events through March 24, 2020, the date these financial statements were available to be issued.

Subsequent to September 30, 2019, the City Council approved various design and construction contracts totaling approximately \$10,493,000, professional services type contracts totaling approximately \$1,429,000, and equipment and computer software purchases totaling approximately \$2,131,000.

On October 1, 2019, the City Council approved the issuance of \$37,090,000 of the Series 2019 General Obligation Warrants payable from the Special School Tax Fund. The proceeds will be used to finance the design, acquisition, provision, equipping, construction and improvement of public school facilities, various school equipment and associated borrowing costs.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 28. SUBSEQUENT EVENTS - CONTINUED

On March 3, 2020, the City Council approved the issuance of \$14,625,000 of the Series 2020 General Obligation Refunding School Warrants payable from the Special School Tax Fund. The proceeds will be used to refund the 2010-A General Obligation Refunding School Warrants.

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, Alabama’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. While expected to be temporary, prolonged workforce disruptions may negatively impact revenues in fiscal year 2020 and the City’s overall liquidity. 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 2020.

Subsequent to September 30, 2019, the City Council approved the creation of the Working Capital Loan Interest Subsidy Program. This program utilizes Amendment 772 to the Constitution of Alabama of 1901, as amended. This amendment allows the City of Auburn to utilize municipal revenue to provide assistance for the benefit of private business. This program, approved on March 26, 2020, will utilize up to \$500,000 to provide interest subsidies to assist small businesses within the City of Auburn. The assistance would allow the City of Auburn to pay the interest cost for working capital loans of up to \$25,000 made to local businesses severely impacted by the current COVID-19 health emergency. Businesses will obtain loans from participating banks. Each loan submitted by participating banks will be submitted to the City Council for interest subsidy approval. The City will pay interest directly to the participating banks for any loans approved by the City Council.

COMPONENT UNITS

Board of Education

On November 12, 2019, the Board approved an agreement with Hecht Burdeshaw Architects, Inc., Opelika, Alabama, for the replacement of an elevator in the Central Office.

On December 10, 2019, the Board approved the following: 1) a bid from Busworx/BlueBird, Birmingham, AL, in the amount of \$799,096 (\$99,887 per unit) for eight or more air-conditioned 78-passenger Class "D" transit style buses, 2) a bid from Southland International, Birmingham, AL, in the amount of \$94,697 for one or more air-conditioned Type C Special Needs buses, and 3) a bid from W.B. Construction, Auburn, AL, in the amount of \$981,000 for the Transportation Training Room addition.

On January 24, 2020, the Board granted the Superintendent permission to enter into a real estate sales contract in the amount of \$1,200,000 with MD Real Estate Holdings for the purchase of 32 acres of land in Auburn, Alabama. The closing date is anticipated to occur on or before February 14, 2020. The property will be the site of a new elementary school.

Water Works Board

Subsequent to September 30, 2019, the Board approved construction contracts totaling approximately \$4,848,463, equipment purchases totaling approximately \$286,797 and approved the issuance of bonds for financing activities totaling up to \$35,335,000.

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 “COVID19 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 COVID19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID19 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 shelterinplace directives have impacted the Board’s ability to deploy its workforce effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact revenues in fiscal year 2020 and the Board’s overall liquidity.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 28. SUBSEQUENT EVENTS - CONTINUED

Given the daily evolution of the COVID19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Industrial Development Board

In October 2019, the Board closed a loan and purchase agreement to acquire a facility in the Auburn Industrial Park. The purchase price of the facility was \$1.7 million, the loan was \$1.445 million, and loan closing costs paid were \$11,000.

Subsequent to September 30, 2019, the Board drew approximately \$1.9 million on a short term construction loan for payment of construction costs on a building expansion. Additionally, the Board drew approximately \$500,000 on its \$1 million line of credit to purchase equipment for the Advanced Manufacturing Training Center.

In March 2020, one of the Board's lessees elected to exercise the purchase option embedded in their capital lease. The Board received approximately \$2.8 million in proceeds and repaid approximately \$2.4 million in debt on the facility. At September 30, 2019, the principal balance of the capital lease was approximately \$2.9 million and the principal balance of the note payable was approximately \$2.5 million.

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 global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. The Board's primary revenue source is lease revenues from multi-national industrial tenants who occupy the Board's facilities in its industrial parks. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which could negatively impact the Board's ability to recruit and retain industrial tenants. While expected to be temporary, prolonged economic downturns due to global workforce disruptions may negatively impact the Board's revenues and overall liquidity in fiscal year 2020. 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 2020.

NOTE 29. PRIOR PERIOD ADJUSTMENT

CITY OF AUBURN PRIMARY GOVERNMENT

During 2019, the City adjusted beginning net position in the Government-Wide statements by \$11,348 for costs capitalized in prior year construction in progress related to projects that were cancelled during the current year.

COMPONENT UNITS

Board of Education

As shown on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, the Board recorded a \$15,060 prior period adjustment. This was to correct the over accrual of capital project expenditures in the prior year.



City of Auburn

Required Supplementary Information



City of Auburn

CITY OF AUBURN, ALABAMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PRESENTED BY LEGAL LEVEL OF BUDGETARY CONTROL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
Sales and use taxes	43,365,300	42,800,000	43,804,081	1,004,081
Occupational license fees	12,360,000	13,000,000	13,286,009	286,009
Motor fuel taxes	814,112	814,112	848,822	34,710
Lodging taxes	2,492,600	2,492,600	2,581,724	89,124
Rental and leasing taxes	875,500	875,500	856,729	(18,771)
Other taxes	300,118	286,118	275,007	(11,111)
Licenses and permits	12,966,485	14,098,440	15,188,191	1,089,751
General property taxes	5,785,400	6,120,000	6,231,852	111,852
Charges for services	12,623,976	12,930,759	12,863,016	(67,743)
Fines and forfeitures	983,000	1,043,000	1,075,769	32,769
State shared taxes	1,400,000	1,746,000	2,440,699	694,699
Contributions from the public	931,944	1,103,925	982,224	(121,701)
Interest	283,019	483,019	824,932	341,913
Miscellaneous	27,500	48,000	30,224	(17,776)
Total revenues	<u>95,208,954</u>	<u>97,841,473</u>	<u>101,289,279</u>	<u>3,447,806</u>
Expenditures				
City Council	187,526	233,738	214,322	19,416
Office of City Manager	1,215,131	1,251,401	1,174,858	76,543
Judicial	893,819	893,819	816,305	77,514
Information Technology	2,177,849	2,185,384	1,974,060	211,324
Finance	1,688,088	1,688,088	1,484,708	203,380
Economic development	3,248,401	3,176,901	3,021,096	155,805
Development Services	378,907	383,778	276,369	107,409
Planning Services	798,892	865,642	810,291	55,351
Inspection Services	1,261,394	1,273,681	1,137,836	135,845
Community Services	439,291	536,361	343,706	192,655
Engineering Services	3,128,666	3,343,050	2,893,515	449,535
Human Resources	7,225,750	7,355,401	7,213,141	142,260
Public safety	24,183,705	24,227,213	24,372,078	(144,865)
Public works	3,723,578	3,833,047	3,518,894	314,153
Environmental services	1,711,907	1,711,907	1,590,544	121,363
Library	2,345,666	2,375,212	2,277,413	97,799
Parks and recreation	6,425,307	6,605,020	5,837,058	767,962
Total departmental	<u>61,033,877</u>	<u>61,939,643</u>	<u>58,956,193</u>	<u>2,983,450</u>
Non-departmental	2,222,814	2,657,792	2,297,270	360,522
Debt service:				
Administrative charges	3,000	3,000	3,039	(39)
Interest	2,527,817	2,011,817	2,011,978	(161)
Principal retirement	5,319,630	4,975,630	4,975,631	(1)
Capital outlay	16,333,422	16,748,613	12,854,764	3,893,849
Intergovernmental	1,699,803	1,941,470	1,777,751	163,719
Payments to component units	14,676,944	14,776,944	14,370,572	406,372
Total expenditures	<u>103,817,307</u>	<u>105,054,909</u>	<u>97,247,197</u>	<u>7,807,712</u>
Excess (deficiency) of revenues over expenditures	<u>(8,608,353)</u>	<u>(7,213,436)</u>	<u>4,042,082</u>	<u>11,255,518</u>
Other financing sources (uses)				
Sale of surplus assets	60,000	60,000	88,477	28,477
Transfers in	852,250	941,524	441,244	(500,280)
Transfers out	(1,024,100)	(1,149,100)	(620,233)	528,867
Total other financing sources (uses)	<u>(111,850)</u>	<u>(147,576)</u>	<u>(90,512)</u>	<u>57,064</u>
Net changes in fund balances	(8,720,203)	(7,361,012)	3,951,570	11,312,582
Fund balances, beginning of year	41,419,077	40,176,625	52,412,747	12,236,122
Fund balances, end of year	<u>32,698,874</u>	<u>32,815,613</u>	<u>56,364,317</u>	<u>23,548,704</u>

CITY OF AUBURN, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$	\$
Total pension liability					
Service cost	2,420,659	2,348,855	2,263,221	2,096,359	2,020,170
Interest	7,988,160	7,587,667	7,098,665	6,773,185	6,444,210
Differences between expected and actual experience	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	(5,549,049)	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	35,394	174,097	137,570	-	-
Net change in total pension liability	6,785,061	5,370,118	9,375,620	4,205,974	4,222,044
Total pension liability - beginning	<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>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	2,886,965	2,895,132	2,934,254	2,827,895	2,602,824
Contributions - member	1,773,476	1,613,441	1,597,131	1,548,903	1,341,496
Net investment income	6,601,723	8,171,480	5,923,189	683,202	6,183,165
Benefit payments, including refunds of employee contributions	(5,549,049)	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	35,394	174,097	137,570	(66,372)	193,733
Net change in plan fiduciary net position	5,748,509	7,710,056	5,855,136	531,577	6,078,882
Plan net position - beginning	<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>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	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	68.82%	67.80%	63.75%	63.88%	66.36%
Covered payroll ⁽¹⁾	30,468,475	28,547,194	27,235,213	25,894,222	24,266,174
Net pension liability as a percentage of covered-employee payroll	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 FY2019, the measurement period is October 1, 2017 to September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

CITY OF AUBURN, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$	\$
Actuarially determined contributions*	3,175,036	2,755,194	2,854,621	2,818,007	2,704,775
Actual employer contributions	3,175,036	2,755,194	2,854,621	2,818,007	2,704,775
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll**	31,535,819	30,468,475	28,547,194	27,235,213	25,894,222
Contributions as a percentage of covered-employee payroll	10.07%	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 FY2019 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019:

- Actuarial cost method: entry age
- Amortization method: level percent closed
- Remaining amortization period: 27.5 years
- Asset valuation method: five year smoothed market
- Inflation: 2.875%
- Salary increases: 3.375 - 5.125%, including inflation
- Investment rate of return: 7.875%, net of pension plan investment expense, including inflation

CITY OF AUBURN, ALABAMA
SCHEDULE OF CHANGES IN OPEB LIABILITY
AND RELATED RATIOS

	2019	2018
	\$	\$
Total OPEB Liability		
Service cost	102,701	106,479
Interest	152,194	130,523
Changes in assumptions	198,691	(113,656)
Differences between expected and actual experience	(327,559)	108,181
Benefit payments	(120,467)	(99,020)
Net change in total OPEB liability	5,560	132,507
Total OPEB Liability - beginning	3,677,943	3,545,436
Total OPEB Liability - ending	\$ 3,683,503	\$ 3,677,943
Covered employee payroll	32,124,486	27,910,274
Total OPEB liability as % of covered payroll	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:

	2019	2018
	3.58%	4.15%

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.

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.

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.



City of Auburn

**CITY OF AUBURN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment	Special 5-Mill Tax Fund	West Tech Park Phase II Fund		
ASSETS	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Cash and cash equivalents	40,279	35,488	964,247	257,325	-	-	111,090	1,408,429	5,524,014	791,012	7,723,455
Investments	-	-	-	-	-	-	1,498,964	1,498,964	-	-	1,498,964
Certificate of deposits	-	-	-	-	-	-	-	-	2,262,014	-	2,262,014
Receivables, net	14,717	11,551	33,935	-	428,265	214,856	1,767	705,091	52,571	-	757,662
Due from other funds	-	-	-	-	-	47,278	-	47,278	-	-	47,278
Mortgages receivable	-	-	-	-	-	-	2,022,181	2,022,181	-	-	2,022,181
Restricted cash	-	-	-	-	-	-	276,710	276,710	-	-	276,710
Total assets	54,996	47,039	998,182	257,325	428,265	262,134	3,910,712	5,958,653	7,838,599	791,012	14,588,264
LIABILITIES											
Accounts payable and accrued liabilities	-	-	24,474	-	30,073	24,369	164	79,080	-	-	79,080
Due to other funds	-	-	-	-	183,066	237,765	47,279	468,110	-	-	468,110
Unearned revenue	-	-	-	100,588	970	-	2,010,162	2,111,720	-	-	2,111,720
Total liabilities	-	-	24,474	100,588	214,109	262,134	2,057,605	2,658,910	-	-	2,658,910
Restricted											
Roads, bridges and streets	54,996	47,039	-	-	-	-	-	102,035	-	-	102,035
Law enforcement	-	-	973,708	156,737	-	-	-	1,130,445	-	-	1,130,445
General grants	-	-	-	-	214,156	-	-	214,156	-	-	214,156
Social and economic	-	-	-	-	-	-	1,853,107	1,853,107	-	-	1,853,107
Capital projects	-	-	-	-	-	-	-	-	-	791,012	791,012
Debt service	-	-	-	-	-	-	-	-	7,838,599	-	7,838,599
Total fund balances	54,996	47,039	973,708	156,737	214,156	-	1,853,107	3,299,743	7,838,599	791,012	11,929,354
Total liabilities and fund balances	54,996	47,039	998,182	257,325	428,265	262,134	3,910,712	5,958,653	7,838,599	791,012	14,588,264

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	
	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Grants General Activities	Community Development Block Grant Fund	Federal Grant Loan Repayment Funds	Special 5-Mill Tax Fund	West Tech Park Phase II Fund		
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
General property taxes	-	-	-	-	-	-	-	5,238,151	-	5,238,151	
State shared taxes	161,172	126,679	-	-	-	-	287,851	-	-	287,851	
Fines and forfeitures	-	-	141,922	-	-	-	141,922	-	-	141,922	
Contributions from the public	-	-	-	48,009	-	-	48,009	-	-	48,009	
Grants	-	-	-	-	1,377,518	383,570	-	1,761,088	-	1,761,088	
Program income	-	-	-	-	-	-	524,711	524,711	-	524,711	
Interest	316	293	7,735	1,713	-	-	73,211	83,268	91,913	6,897	
Miscellaneous	-	-	-	-	-	-	375	375	-	375	
Total revenues	161,488	126,972	149,657	49,722	1,377,518	383,570	598,297	2,847,224	5,330,064	6,897	8,184,185
Expenditures											
General government and administration	-	-	305	-	-	-	-	305	-	-	305
Public safety	-	-	-	38,110	53,487	-	-	91,597	-	-	91,597
Library	-	-	-	-	20,020	-	-	20,020	-	-	20,020
Economic development	-	-	-	-	-	383,414	272,093	655,507	-	-	655,507
Total departmental	-	-	305	38,110	73,507	383,414	272,093	767,429	-	-	767,429
Non-departmental	-	-	-	-	-	-	-	-	166,732	-	166,732
Debt service:											
Principal retirement	-	-	-	-	-	-	180,000	180,000	-	-	180,000
Interest	-	-	-	-	-	-	76,673	76,673	3,342,141	-	3,418,814
Administrative charges	-	-	-	-	-	-	-	-	806	-	806
Capital outlay	-	-	127,648	-	1,304,011	147,943	-	1,579,602	-	-	1,579,602
Payments to component units	-	-	-	-	-	-	-	-	-	136,370	136,370
Total expenditures	-	-	127,953	38,110	1,377,518	531,357	528,766	2,603,704	3,509,679	136,370	6,249,753
Excess (deficiency) of revenues over expenditures	161,488	126,972	21,704	11,612	-	(147,787)	69,531	243,520	1,820,385	(129,473)	1,934,432
Other financing sources (uses)											
Sale of surplus assets	-	-	-	105	-	-	-	105	-	-	105
Transfers in	-	-	-	-	-	147,787	29,670	177,457	-	-	177,457
Transfers out	(154,994)	(125,000)	-	-	-	-	(177,457)	(457,451)	-	-	(457,451)
Total other financing sources (uses)	(154,994)	(125,000)	-	105	-	147,787	(147,787)	(279,889)	-	-	(279,889)
Net changes in fund balances	6,494	1,972	21,704	11,717	-	-	(78,256)	(36,369)	1,820,385	(129,473)	1,654,543
Fund balances, beginning of year	48,502	45,067	952,004	145,019	214,155	-	1,931,363	3,336,110	6,018,214	920,485	10,274,809
Fund balances, end of year	54,996	47,039	973,708	156,736	214,155	-	1,853,107	3,299,741	7,838,599	791,012	11,929,352

CITY OF AUBURN, ALABAMA
SEVEN CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
State shared taxes	156,000	156,000	161,172	5,172
Interest	100	100	316	216
Total revenues	<u>156,100</u>	<u>156,100</u>	<u>161,488</u>	<u>5,388</u>
Other financing uses				
Transfers out	<u>(155,000)</u>	<u>(155,000)</u>	<u>(154,994)</u>	<u>6</u>
Net changes in fund balances	1,100	1,100	6,494	5,394
Fund balances, beginning of year	<u>48,502</u>	<u>48,502</u>	<u>48,502</u>	<u>-</u>
Fund balances, end of year	<u><u>49,602</u></u>	<u><u>49,602</u></u>	<u><u>54,996</u></u>	<u><u>5,394</u></u>

CITY OF AUBURN, ALABAMA
FOUR AND FIVE CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
State shared taxes	122,500	122,500	126,679	4,179
Interest	100	100	293	193
Total revenues	<u>122,600</u>	<u>122,600</u>	<u>126,972</u>	<u>4,372</u>
Other financing uses				
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net changes in fund balances	(2,400)	(2,400)	1,972	4,372
Fund balances, beginning of year	<u>45,067</u>	<u>45,067</u>	<u>45,067</u>	<u>-</u>
Fund balances, end of year	<u><u>42,667</u></u>	<u><u>42,667</u></u>	<u><u>47,039</u></u>	<u><u>4,372</u></u>

CITY OF AUBURN, ALABAMA
PUBLIC SAFETY SUBSTANCE ABUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
Contributions from the public	26,000	56,000	48,009	(7,991)
Interest	550	1,100	1,713	613
Total revenues	<u>26,550</u>	<u>57,100</u>	<u>49,722</u>	<u>(7,378)</u>
Expenditures				
Public safety	-	31,900	38,110	(6,210)
Capital outlay	32,000	-	-	-
Total expenditures	<u>32,000</u>	<u>31,900</u>	<u>38,110</u>	<u>(6,210)</u>
Excess (deficiency) of revenues over expenditur	(5,450)	25,200	11,612	(13,588)
Other financing sources				
Sale of surplus assets	-	150	105	(45)
Net changes in fund balances	(5,450)	25,350	11,717	(13,633)
Fund balances, beginning of year	<u>145,019</u>	<u>145,019</u>	<u>145,019</u>	<u>-</u>
Fund balances, end of year	<u><u>139,569</u></u>	<u><u>170,369</u></u>	<u><u>156,736</u></u>	<u><u>(13,633)</u></u>

CITY OF AUBURN, ALABAMA
SPECIAL 5-MILL TAX DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
General property tax	4,860,175	5,250,000	5,238,151	(11,849)
Interest	15,000	75,000	91,913	16,913
Total revenues	<u>4,875,175</u>	<u>5,325,000</u>	<u>5,330,064</u>	<u>5,064</u>
Expenditures				
Non-departmental	177,285	177,285	166,732	10,553
Debt service:				
Interest	3,342,306	3,342,306	3,342,141	165
Administrative charges	850	850	806	44
Total expenditures	<u>3,520,441</u>	<u>3,520,441</u>	<u>3,509,679</u>	<u>10,762</u>
Net changes in fund balances	1,354,734	1,804,559	1,820,385	15,826
Fund balances, beginning of year	<u>6,018,214</u>	<u>6,018,214</u>	<u>6,018,214</u>	<u>-</u>
Fund balances, end of year	<u><u>7,372,948</u></u>	<u><u>7,822,773</u></u>	<u><u>7,838,599</u></u>	<u><u>15,826</u></u>

Nonmajor Component Units

Public Parks 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 of 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 a 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



City of Auburn

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF NET POSITION
SEPTEMBER, 30 2019

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	150	-	150
Receivables, net	85,063	-	85,063
Current portion of net investment in capital leases	-	49,763	49,763
Other current assets	2,714	-	2,714
Total current assets	87,927	49,763	137,690
Noncurrent assets			
Net investment in capital leases, net of current portion	-	1,222,950	1,222,950
Capital assets, net of accumulated depreciation	3,898,667	-	3,898,667
Total noncurrent assets	3,898,667	1,222,950	5,121,617
Total assets	3,986,594	1,272,713	5,259,307
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related	1,700	-	1,700
Pension related	33,694	-	33,694
Total deferred outflows of resources	35,394	-	35,394
LIABILITIES			
Current liabilities			
Accounts payable and other accrued liabilities	23,522	-	23,522
Current portion of long-term debt	-	49,763	49,763
Total current liabilities	23,522	49,763	73,285
Noncurrent liabilities			
Long-term debt and other liabilities	18,084	1,222,950	1,241,034
Net pension liability	142,229	-	142,229
Total noncurrent liabilities	160,313	1,222,950	1,383,263
Total liabilities	183,835	1,272,713	1,456,548
DEFERRED INFLOWS OF RESOURCES			
OPEB related	2,493	-	2,493
Pension related	11,540	-	11,540
Total deferred inflows of resources	14,033	-	14,033
NET POSITION			
Net investment in capital assets	3,898,667	-	3,898,667
Unrestricted (deficit)	(74,547)	-	(74,547)
Total net position	3,824,120	-	3,824,120

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER, 30 2019

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	117,947	-	117,947
Miscellaneous	157,745	-	157,745
Total operating revenues	<u>275,692</u>	<u>-</u>	<u>275,692</u>
Operating expenses			
Salaries and wages	213,811	-	213,811
Employee benefits	55,244	-	55,244
Repairs and maintenance	45,798	-	45,798
Utilities	123,439	-	123,439
Rentals and leasing	1,572	-	1,572
Insurance	6,132	-	6,132
Office supplies	1,098	-	1,098
Professional services	783	-	783
Agricultural and chemical supplies	240	-	240
Depreciation/amortization	323,146	-	323,146
Minor equipment and tools	20,600	-	20,600
Travel and training	759	-	759
Total operating expenses	<u>792,622</u>	<u>-</u>	<u>792,622</u>
Operating income (loss)	<u>(516,930)</u>	<u>-</u>	<u>(516,930)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	19	24,978	24,997
Appropriations from the City of Auburn	337,619	-	337,619
Interest and fiscal charges	-	(24,978)	(24,978)
Loss on disposal of assets	(23,542)	-	(23,542)
Total non-operating revenues (expenses)	<u>314,096</u>	<u>-</u>	<u>314,096</u>
Change in net position	(202,834)	-	(202,834)
Net position--beginning of year	<u>4,026,954</u>	<u>-</u>	<u>4,026,954</u>
Net position--end of year	<u><u>3,824,120</u></u>	<u><u>-</u></u>	<u><u>3,824,120</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER, 30 2019

	Public Park and Recreation Board \$	Downtown Redevelopment Authority \$	Total \$
Cash flows from operating activities			
Cash collected from customers	211,759	-	211,759
Payments to suppliers for goods and services	(192,168)	-	(192,168)
Payments to employees for services	(269,091)	-	(269,091)
Net cash provided (consumed) by operating activities (A)	<u>(249,500)</u>	<u>-</u>	<u>(249,500)</u>
Cash flows from noncapital financing activities			
Operating transfers in	337,619	-	337,619
Net cash provided (consumed) by noncapital financing activities	<u>337,619</u>	<u>-</u>	<u>337,619</u>
Cash flows from capital and related financing activities			
Interest and fiscal fees paid	-	(24,978)	(24,978)
Acquisition and construction of capital assets	(93,745)	-	(93,745)
Net cash provided (consumed) by capital and related financing activities	<u>(93,745)</u>	<u>(24,978)</u>	<u>(118,723)</u>
Cash flows from investing activities			
Interest on investments	19	24,978	24,997
Net cash provided (consumed) by investing activities	<u>19</u>	<u>24,978</u>	<u>24,997</u>
Net increase (decrease) in cash	(5,607)	-	(5,607)
Cash and cash equivalents, beginning of year	5,757	-	5,757
Cash and cash equivalents, end of year	<u>150</u>	<u>-</u>	<u>150</u>

Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities (A):

Operating income (loss)	(516,930)	-	(516,930)
Add:			
Depreciation/amortization expense	323,146	-	323,146
Increase in accounts payable/accrued liabilities	7,549	-	7,549
Decrease in prepaid items	704	-	704
Increase in pension related liabilities	3,317	-	3,317
Increase in OPEB liability	37	-	37
Increase in pension related deferred inflows	976	-	976
Increase in OPEB related deferred inflows	1,836	-	1,836
Less:			
Increase in accounts receivable	(63,933)	-	(63,933)
Increase in deferred pension contributions	(5,128)	-	(5,128)
Increase in OPEB related deferred outflows	(1,074)	-	(1,074)
Net cash provided (consumed) by operating activities	<u>(249,500)</u>	<u>-</u>	<u>(249,500)</u>



City of Auburn

Capital Assets Used in the Operation of Governmental Funds

These schedules present supplementary information on capital assets by source and by function and activity. In addition, the changes in capital assets from the prior fiscal year are presented by function and activity.



City of Auburn

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2019

Governmental funds capital assets	\$
Land, buildings and improvements	78,907,627
Construction in progress	47,396,496
Heavy equipment	4,006,562
Office equipment	5,681,149
Small tools and equipment	1,910,682
Vehicles	10,566,549
Infrastructure	206,089,923
Total governmental funds capital assets	<u>354,558,988</u>
Investment in governmental funds capital assets by source	
General fund revenues	207,370,557
Capital projects funds	79,962,815
Federal grants	18,358,547
State grants	237,711
Special revenue fund revenues	2,765,526
Donations	24,224,633
Special assessments	27,800
Enterprise fund revenues	1,216,935
Unclassified	20,394,464
Total investment in governmental funds capital assets	<u>354,558,988</u>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2019

Function and Activity	Total	Land Buildings & Improvements	Easements	Construction in Progress	Heavy Equipment	Office Equipment	Software	Small Tools and Equipment	Vehicles	Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General government and administration										
Information technology	3,958,968	27,021	-	713,654	44,608	2,209,667	316,350	71,229	67,120	509,319
Geographical information systems	275,827	14,835	-	-	-	224,383	36,609	-	-	-
Judicial	176,810	28,212	-	148,598	-	-	-	-	-	-
Administrative	804,841	776,772	-	-	-	9,889	-	-	18,180	-
Finance	1,376,387	6,272	-	518,133	-	21,835	806,202	-	23,945	-
Total general government and administration	6,592,833	853,112	-	1,380,385	44,608	2,465,774	1,159,161	71,229	109,245	509,319
Public works administration	231,583,820	6,000,565	5,894,402	19,856,446	1,450,293	8,555	-	271,925	1,944,498	196,157,136
Environmental services	1,524,404	950,004	-	-	90,578	12,251	-	89,647	381,924	-
Public safety administration	30,918,812	5,308,420	-	25,075,006	-	7,785	365,956	-	20,319	141,326
Fire	4,790,333	232,980	-	-	1,445,797	89,890	-	342,291	2,679,375	-
Police	4,993,509	139,793	-	113,136	-	823,140	75,748	398,200	3,443,492	-
Development services	7,557,017	163,096	-	-	416,118	98,887	13,437	203,194	1,072,487	5,589,798
Library	5,634,592	5,058,230	-	337,521	-	233,211	-	-	-	5,630
Parks and recreation	35,016,162	28,696,674	-	634,002	559,168	32,648	-	534,196	872,760	3,686,714
Human resources	1,230,111	910,312	-	-	-	100,130	194,576	-	25,093	-
Social and economic development	248,768	231,412	-	-	-	-	-	-	17,356	-
Total departmental	330,090,361	48,544,598	5,894,402	47,396,496	4,006,562	3,872,271	1,808,878	1,910,682	10,566,549	206,089,923
Nondepartmental	24,468,627	24,468,627	-	-	-	-	-	-	-	-
Total governmental funds capital assets	354,558,988	73,013,225	5,894,402	47,396,496	4,006,562	3,872,271	1,808,878	1,910,682	10,566,549	206,089,923

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2019

	Governmental Funds Capital Assets September 30, 2018 \$	Transfers/ Additions \$	Transfers/ Deductions \$	Governmental Funds Capital Assets September 30, 2019 \$
General government and administration				
Information technology	3,586,108	372,860	-	3,958,968
Geographical information systems	275,827	-	-	275,827
Judicial	49,162	127,648	-	176,810
Administrative	804,841	-	-	804,841
Finance	1,115,958	260,429	-	1,376,387
Total general government and administration	<u>5,831,896</u>	<u>760,937</u>	<u>-</u>	<u>6,592,833</u>
Public works administration	219,483,844	24,590,441	(12,490,465)	231,583,820
Environmental services	2,928,466	51,010	(1,455,072)	1,524,404
Public safety administration	11,419,207	19,876,630	(377,025)	30,918,812
Fire	4,616,058	197,488	(23,213)	4,790,333
Police	4,230,087	1,513,306	(749,884)	4,993,509
Development Services ¹	236,915	7,562,270	(242,168)	7,557,017
Library	5,289,750	344,842	-	5,634,592
Parks and recreation	36,264,516	2,595,500	(3,843,854)	35,016,162
Human resources	1,230,111	-	-	1,230,111
Social and economic development ¹	229,559	19,209	-	248,768
Total departmental	<u>291,760,409</u>	<u>57,511,633</u>	<u>(19,181,681)</u>	<u>330,090,361</u>
Nondepartmental	<u>24,469,736</u>	<u>891</u>	<u>(2,000)</u>	<u>24,468,627</u>
Total governmental funds capital assets ²	<u><u>316,230,145</u></u>	<u><u>57,512,524</u></u>	<u><u>(19,183,681)</u></u>	<u><u>354,558,988</u></u>

¹ Development Services includes the following departments : Engineering Services, Planning Services and Inspection Services.

Social and economic development includes the following departments : Economic development and Community services.

² This schedule is updated to reflect the City's departmental reorganization. Effected departments include Public Works, Environmental Services, and Development Services.



City of Auburn

STATISTICAL SECTION

This part 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.

Contents	Page
Financial Trends – Tables 1-5	181
<i>These schedules contain trend information to help the reader understand and assess how the government’s financial position has changed over time.</i>	
Revenue Capacity – Tables 6-8	188
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, sales tax.</i>	
Debt Capacity – Tables 9-13	190
<i>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.</i>	
Demographic and Economic Information – Tables 14-15	195
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information – Tables 16-18	197
<i>These schedules contain information to help the reader understand the government’s operations and resources.</i>	

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.



City of Auburn

Table 1
City of Auburn
Net Position by Activity Type
 Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary government - governmental activities										
Net investment in capital assets	81,866,977	87,677,067	91,886,384	100,145,164	110,178,706	118,307,151	149,544,640	172,516,412	187,712,319	204,319,205
Restricted	12,021,563	11,418,353	12,643,443	12,142,108	10,706,845	92,735,176	67,163,363	47,557,073	37,759,824	40,216,858
Unrestricted ⁽¹⁾	(74,342,301)	(67,271,114)	(74,219,051)	(64,934,181)	(55,679,045)	(156,555,646)	(160,132,588)	(161,544,320)	(155,137,517)	(145,725,727)
Total governmental activities net position	<u>19,546,239</u>	<u>31,824,306</u>	<u>30,310,776</u>	<u>47,353,091</u>	<u>65,206,506</u>	<u>54,486,681</u>	<u>56,575,415</u>	<u>58,529,165</u>	<u>70,334,626</u>	<u>98,810,336</u>
Primary government - business-type activities										
Net investment in capital assets	25,830,053	25,570,257	26,690,464	29,798,149	33,236,208	37,097,393	40,247,221	41,989,278	46,067,480	47,934,317
Restricted	3,876,709	1,956,004	1,070,064	-	648,195	1,970,849	509,425	2,266,933	2,266,933	3,501,441
Unrestricted	(2,025,635)	818,835	5,052,411	7,194,747	7,361,470	5,291,163	7,353,032	8,323,217	6,802,829	8,028,390
Total business-type activities net position	<u>27,681,127</u>	<u>28,345,096</u>	<u>32,812,939</u>	<u>36,992,896</u>	<u>41,245,873</u>	<u>44,359,405</u>	<u>48,109,678</u>	<u>52,579,428</u>	<u>55,137,242</u>	<u>59,464,148</u>
Total primary government										
Net investment in capital assets	107,697,030	113,247,324	118,576,848	129,943,313	143,414,914	155,404,544	189,791,861	214,505,690	233,779,799	252,253,522
Restricted	15,898,272	13,374,357	13,713,507	12,142,108	11,355,040	94,706,025	67,672,788	49,824,006	40,026,757	43,718,299
Unrestricted ⁽¹⁾	(76,367,936)	(66,452,279)	(69,166,640)	(57,739,434)	(48,317,575)	(151,264,483)	(152,779,556)	(153,221,103)	(148,334,688)	(137,697,337)
Total primary government net position	<u>47,227,366</u>	<u>60,169,402</u>	<u>63,123,715</u>	<u>84,345,987</u>	<u>106,452,379</u>	<u>98,846,086</u>	<u>104,685,093</u>	<u>111,108,593</u>	<u>125,471,868</u>	<u>158,274,484</u>

⁽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.

Table 2
City of Auburn
Changes in Net Position
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses										
Governmental activities:										
General government and administration	6,270,653	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
Public works	6,844,357	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
Environmental services	1,670,173	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
Public safety	16,904,689	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
Library	1,613,894	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
Parks and recreation	5,377,218	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
Development Services ⁽¹⁾	665,283	573,462	562,555	635,202	669,831	583,137	594,714	768,847	786,636	5,520,532
Social and economic development	17,864,393	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
Human resources	704,963	702,065	698,236	725,083	755,927	742,752	2,244,797	2,341,425	2,422,500	6,754,450
Risk management	1,289,942	1,069,339	1,585,905	876,140	1,289,854	1,576,913	333,618	381,875	514,870	1,761,850
Education (payments to Board of Education)	13,530,795	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
Interest on long-term debt	5,346,829	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
Total governmental activities expenses	78,083,189	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
Business-type activities:										
Sewer Fund	7,804,203	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
Solid Waste Management Fund	3,385,837	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
Total business-type activities expenses	11,190,040	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
Total primary government expenses	89,273,229	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
Program Revenues										
Governmental activities:										
Charges for services:										
General government and administration	10,890,570	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
Public works	-	-	250	-	875	1,400	625	856	2,514	2,500
Public safety	3,218,920	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
Library	42,893	34,621	35,799	39,368	40,388	32,445	27,519	26,604	21,720	20,759
Parks and recreation	785,095	791,821	729,455	596,199	647,827	697,981	684,363	661,328	680,600	804,411
Development Services ⁽¹⁾	38,322	40,872	59,489	62,175	46,301	55,663	64,665	68,134	59,280	57,900
Human resources ⁽²⁾	-	-	-	-	-	-	-	945,484	1,001,385	4,427,491
Risk management ⁽²⁾	741,130	745,281	782,796	808,123	765,858	769,341	766,273	-	-	-
Operating grants and contributions	2,378,429	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
Capital grants and contributions	4,238,477	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
Total governmental activities program revenue	22,333,836	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
Business-type activities:										
Charges for services:										
Sewer Fund	8,722,591	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
Solid Waste Management Fund	3,133,116	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
Operating grants and contributions	39,831	21,595	19,369	44,553	43,332	-	5,383	672	288,986	380,231
Capital grants and contributions	605,467	373,520	244,653	1,177,207	681,000	1,741,381	458,185	860,763	716,235	830,250
Total business-type activities program revenues	12,501,005	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
Total primary government program revenues	34,834,841	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
Net (expense)/revenue										
Governmental activities	(55,749,353)	(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)
Business-type activities	1,310,965	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
Total primary government net expense	(54,438,388)	(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)

¹ Historical data represents only Planning. As of FY2019, due to the City reorganization, data includes Development Services Admin, Planning, and Inspections

² In FY17, charges for employee health and dental insurance premiums were regrouped from Risk Management to Human Resources.

Table 2 Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Revenues and Other Changes in Net Position										
Government activities:										
Taxes:										
Sales taxes	21,081,232	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
Occupational license fees	8,448,505	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
Property taxes	20,169,135	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
Motor fuel taxes	278,467	293,425	311,846	311,022	340,415	365,345	383,488	386,296	416,979	430,659
Lodging taxes	1,253,511	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
Rental and leasing taxes	420,201	473,732	515,164	571,248	612,457	768,245	799,550	890,599	886,630	856,729
Cigarette taxes	77,423	79,304	77,145	75,880	70,860	73,306	69,249	66,528	60,033	54,075
Alcoholic beverage taxes	121,710	131,668	142,503	160,725	170,559	180,604	202,213	215,281	230,642	220,932
Appropriations from component units	-	-	-	333,591	-	-	-	-	-	-
Interest and investment earnings	512,963	362,808	241,936	287,977	327,499	488,820	729,863	505,746	965,995	1,967,021
Gain (loss) on disposal of assets	-	33,639	64,005	-	68,237	-	-	(221,202)	125,796	-
Miscellaneous	38,073	31,441	29,967	34,558	63,801	40,790	81,981	43,522	130,222	28,750
Transfers	(232,893)	(248,354)	(626,769)	(464,859)	(309,019)	130,979	118,755	110,605	559,003	(458,983)
Total governmental activities	52,168,327	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
Business-type activities:										
Interest and investment earnings	45,538	48,728	33,440	32,518	33,809	34,395	41,216	36,533	77,277	140,496
Gain (loss) on disposal of assets	12,598	(754)	9,820	20,789	22,700	78,422	21,770	40,403	19,350	68,571
Miscellaneous	37,087	7,656	6,085	2,246	5,622	7,326	23,736	16,982	6,594	30,196
Special items ⁽¹⁾	675,000	-	-	-	-	-	-	-	-	-
Transfers	232,893	248,354	626,769	464,859	309,019	(130,979)	(118,755)	(110,605)	(559,003)	458,983
Total business-type activities	1,003,116	303,984	676,114	520,412	371,150	(10,836)	(32,033)	(16,687)	(455,782)	698,246
Total primary government	53,171,443	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
Changes in Net Position										
Governmental activities	(3,581,026)	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
Business-type activities	2,314,081	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
Total primary government	(1,266,945)	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

¹ Concession Payment

Table 3

City of Auburn ~ Primary Government
General Government Tax Revenues by Source ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year	Sales & Use Tax	Cigarette & Alcohol Tax ⁽³⁾	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
2009	20,143,854	249,621	749,811	1,612,284	245,537	138,276	18,696,415	41,835,797
2010	21,081,231	230,490	788,560	1,662,229	-	108,006	19,739,993	43,610,509
2011	22,987,405 ⁽²⁾	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

⁽¹⁾ Includes state shared taxes.

⁽²⁾ Sales tax rate increased from 3.0% to 4.0% effective 8/1/11.

⁽³⁾ Numbers have been updated to include liquor tax on Wholesale purchases

Table 4
City of Auburn
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Reserved	7,451,985	-	-	-	-	-	-	-	-	-
Unreserved	19,649,481	-	-	-	-	-	-	-	-	-
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
Restricted	-	176,679	237,639	298,192	341,705	343,988	343,769	305,255	313,696	2,231,277
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
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
Total general fund	<u>27,101,466</u>	<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>
All other governmental funds										
Reserved	4,075,582	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	4,766,559	-	-	-	-	-	-	-	-	-
Debt service funds	3,831,043	-	-	-	-	-	-	-	-	-
Capital projects funds	1,297,837	-	-	-	-	-	-	-	-	-
Nonspendable	-	560,000	-	-	-	-	-	-	-	-
Restricted	-	10,015,439	13,631,350	13,152,780	9,496,112	90,168,804 ⁽²⁾	49,118,334	42,164,339	58,916,615	42,040,085
Unassigned	-	-	(347,364)	-	-	-	-	-	-	-
Total all other governmental funds	<u>13,971,021</u>	<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>

⁽¹⁾ For fiscal year 2011, GASB Statement No. 54 was implemented requiring changes in fund balance classifications.

⁽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.

Table 5

City of Auburn

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Sales and use taxes	21,081,232	22,987,406	30,890,400	31,831,180	34,303,571	37,418,331	39,672,910	39,648,007	42,010,313	43,804,081
Occupational license fees	8,448,505	9,033,443	9,221,981	9,683,892	10,130,069	10,804,202	11,561,047	12,068,066	12,894,664	13,286,009
Motor fuel taxes	547,407	576,855	612,720	610,968	669,550	719,367	755,217	760,818	821,995	848,822
Lodging taxes	1,253,511	1,371,789	1,914,441	1,559,012	1,604,850	1,816,370	2,247,771	2,355,985	2,373,879	2,581,724
Rental and leasing taxes	420,201	473,732	515,164	571,248	612,457	768,245	799,550	890,599	886,630	856,729
Other taxes	199,133	210,972	219,648	236,605	241,419	253,910	271,462	281,809	290,677	275,007
Licenses and permits	9,002,598	8,860,187	10,222,535	10,210,208	10,638,252	11,302,434	11,856,992	12,893,642	13,372,006	15,188,191
General property tax	20,169,134	20,966,105	21,424,165	20,971,590	21,645,466	22,486,529	23,782,005	25,187,386	27,098,517	29,527,483
Charges for services	5,286,945	5,777,642	5,544,334	6,428,631	6,439,547	6,743,621	7,086,335	7,901,167	8,983,737	12,863,016
Fines and forfeitures	1,323,548	1,247,137	1,452,953	1,636,516	1,579,802	1,420,812	1,241,661	1,140,361	1,169,369	1,217,691
State shared taxes	881,140	1,057,737	1,278,040	2,016,806	1,279,503	1,424,458	1,455,324	1,515,559	1,818,616	2,728,550
Contributions from the public	868,428	1,624,491	600,544	1,014,850	1,826,242	668,974	1,611,684	2,241,224	1,187,166	1,030,233
Grants	2,555,213	2,205,074	2,959,710	2,711,021	1,807,224	3,318,443	820,258	3,537,706	2,235,880	1,761,088
Program income	521,164	385,822	305,363	609,879	517,638	474,915	287,464	362,754	1,260,228	524,711
Interest	512,963	362,808	241,936	287,977	327,498	488,821	729,862	505,747	965,995	1,967,021
Miscellaneous	89,280	71,438	61,489	68,275	97,957	64,914	85,438	47,753	132,886	30,599
Total revenues	73,160,402	77,212,638	87,465,423	90,448,658	93,721,045	100,174,346	104,264,980	111,338,583	117,502,558	128,490,955
Expenditures										
General government and administration	4,417,596	4,821,147	4,900,632	4,971,598	5,857,396	5,687,183	6,089,761	6,424,142	5,463,983	5,676,946
Public works	3,530,072	3,751,109	3,528,928	3,568,302	3,497,655	3,577,600	4,101,467	4,414,820	4,485,980	3,518,894
Environmental services	1,609,168	1,665,499	1,806,656	1,956,168	2,031,430	1,999,822	2,085,786	2,233,367	2,481,087	1,590,544
Public safety	15,953,686	16,692,869	17,164,517	17,753,502	18,067,357	18,521,534	19,322,321	20,420,507	22,505,037	24,463,675
Library	1,425,399	1,455,630	1,503,734	1,622,482	1,539,862	1,619,702	1,705,483	1,795,959	1,934,631	2,297,433
Parks and recreation	4,580,462	4,714,322	4,788,245	4,684,929	4,862,432	4,975,692	5,501,434	5,693,864	5,716,886	5,837,058
Development Services ⁽¹⁾	664,088	573,465	562,214	635,402	671,214	582,693	592,471	765,579	785,640	5,118,011
Social and Economic Development ⁽²⁾	2,187,721	2,035,324	3,005,858	2,158,634	2,381,356	2,351,410	1,551,178	1,502,143	3,438,973	4,020,308
Human Resources ⁽³⁾	656,148	655,029	642,122	675,100	696,740	692,462	2,186,194	2,254,673	2,349,094	6,798,012
Risk management	1,313,917	1,269,056	1,301,944	1,048,527	1,356,823	1,660,020	360,932	299,416	443,694	415,129
Non-departmental	1,937,902	1,915,070	1,978,998	2,056,603	2,210,562	2,561,619	2,845,963	2,816,728	3,564,722	3,026,233
Debt service										
Principal	9,989,029	10,464,788	13,013,380	12,501,691	13,094,561	11,953,556	11,023,833	10,051,635	10,589,055	9,885,744
Interest	5,622,881	6,049,543	6,256,774	5,726,573	5,272,797	5,548,480	7,243,523	7,365,924	7,723,256	8,295,342
Capital Outlay	10,521,541	5,774,421	7,261,516	10,830,762	11,432,511	10,246,657	10,844,770	21,258,053	19,986,449	34,272,664
Intergovernmental	1,022,118	876,083	921,568	1,034,319	951,428	1,069,266	1,037,158	1,258,457	1,596,787	1,777,751
Payments to component units	28,818,541	15,755,842	38,546,879 ⁽⁴⁾	20,404,444	19,679,683	26,858,347 ⁽⁵⁾	64,065,542 ⁽⁵⁾	49,698,750	37,030,288	24,093,271
Total expenditures	94,250,269	78,469,197	107,183,965	91,629,036	93,603,807	99,906,043	140,557,816	138,254,017	130,095,562	141,087,015
Excess of revenues over (under) expenditures	(21,089,867)	(1,256,559)	(19,718,542)	(1,180,378)	117,238	268,303	(36,292,836)	(26,915,434)	(12,593,004)	(12,596,060)

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.

Table 5 Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other financing sources (uses)										
Debt issuance	15,155,000	-	24,325,835	5,525,000	-	94,638,169 ⁽²⁾	-	18,000,000	33,337,726	5,259,668
Refunding	27,020,000	-	27,879,100	-	-	-	-	-	-	-
Sale of surplus assets	33,355	33,639	64,006	1,878,717	97,656	150,243	64,678	145,670	171,669	88,582
Transfers in	725,271	565,234	509,453	681,045	1,354,436	6,707,462	1,906,217	685,412	2,536,444	618,701
Transfers out	(958,164)	(813,589)	(1,196,222)	(1,145,905)	(1,663,455)	(6,576,483)	(1,787,462)	(574,808)	(1,977,441)	(1,077,684)
Premium on debt issued	2,313,257	-	4,147,158	-	-	-	-	-	-	-
Payment to refunded bond escrow	(29,084,241)	-	(29,299,697)	-	-	(12,680,790)	-	-	-	(5,218,168)
Total other financing sources (uses)	<u>15,204,478</u>	<u>(214,716)</u>	<u>26,429,633</u>	<u>6,938,857</u>	<u>(211,363)</u>	<u>82,238,601</u>	<u>183,433</u>	<u>18,256,274</u>	<u>34,068,398</u>	<u>(328,901)</u>
Net changes in fund balances	<u>(5,885,389)</u>	<u>(1,471,275)</u>	<u>6,711,091</u>	<u>5,758,479</u>	<u>(94,125)</u>	<u>82,506,904</u>	<u>(36,109,403)</u>	<u>(8,659,160)</u>	<u>21,475,394</u>	<u>(12,924,961)</u>
Debt service as a percentage of non-capital expenditures ⁽¹⁾	18.6%	22.7%	19.3%	22.6%	22.4%	19.5%	14.1%	14.9%	16.6%	17.0%

¹ Non-capital expenditures equals total expenditures less capital outlay.

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.

Table 6
City of Auburn ~ Primary Government
Components of Sales Tax Base
 Last Ten Fiscal Years
 (amounts expressed in thousands)
Unaudited

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	60,201	68,169	66,354	67,768	51,655	56,558	53,115	52,416	50,342	49,418
Grocery Stores	55,799	70,663	77,901	88,493	122,960 ⁽¹⁾	130,561	146,793	164,818	169,942	125,006
Eating & Drinking Establishments	127,753	148,302	131,813	144,085	153,152	166,863	184,695	191,206	200,133	218,815
Mass General Merchandise Stores	114,644	122,437	116,691	111,335	81,345 ⁽¹⁾	85,900	87,640	90,626	93,225	97,982
Auto Dealers & Supplies	39,021	42,278	38,291	39,471	48,882	52,936	53,992	55,658	57,961	60,323
Building Materials	31,794	26,698	36,185	45,462	46,000	51,865	55,841	60,923	66,589	72,875
Home Furnishing & Appliances	9,733	11,126	12,477	17,343	18,209	20,302	24,702	25,399	31,690	31,268
All Other Retail Sales	254,509	273,606	289,079	281,822	313,376	335,521	368,646	333,866	364,157	439,787
Totals	693,454	763,279	768,791	795,780	835,579	900,507	975,424	974,912	1,034,039	1,095,474

⁽¹⁾ Beginning in FY14 the total sales of big box retailers are split between "Grocery Stores" and "Mass General Merchandise Stores".

Table 7
City of Auburn ~ Primary Government
Revenue Rates for General Sales Tax

Last Ten Fiscal Years
Unaudited

Fiscal Year	City Sales Tax Rate	County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
2010	3.0%	1.0%	4.0%	8.0%
2011 ⁽¹⁾	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%

Source: State of Alabama Department of Revenue

⁽¹⁾ City sales tax rate increased from 3.0% to 4.0% effective August 1, 2011.

Table 8
City of Auburn ~ Primary Government
Principal Revenue Remitters of Sales and Use Tax ⁽¹⁾

Current Year and Nine Years Ago
Unaudited

Employer	2010 Rank	2019 Rank
Wal-Mart Store	1	1
Sam's Club (Opened 2008)	2	2
Auburn University Financial Reporting	3	3
Kroger	4	4
Auburn University Dining (Chartwells and Aramark)	7	5
Publix - Cary Creek (Opened 2012)	-	6
Publix - Moore's Mill (Opened 2010)	-	7
Builders First Source SE (formerly Waid True Value)	9	8
Academy Sports (Opened 2008)	5	9
Wal-Mart Market - East University (Opened 2016)	-	10

⁽¹⁾ 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.

Table 9
City of Auburn ~ Primary Government
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollar amounts expressed in thousands, except per capita amount)

Unaudited

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government		
	General Obligation Bonds	Notes Payable	General Obligation Bonds ⁽²⁾	Total Debt Primary Government	Total Debt as Percentage of Personal Income	Total Debt Per Capita
	\$	\$	\$	\$		\$
2010	140,282	-	45,694	185,976	13.34%	3,478
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 ⁽¹⁾	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

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽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.

⁽²⁾ 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.

Table 10
City of Auburn ~ Primary Government
Ratios of General Bonded Debt Outstanding

Last Ten 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
	\$	\$	\$		\$
2010	185,975,829 ⁽²⁾	3,831,044	182,144,785	24.24%	3,406
2011	174,367,735	3,723,922	170,643,813	21.39%	3,127
2012	193,232,141 ⁽³⁾	3,540,270	189,691,871	23.67%	3,428
2013	188,694,282	3,019,959	185,674,323	23.28%	3,284
2014	172,934,154	2,477,786	170,456,368	21.96%	2,949
2015	243,183,962 ^(4,5)	2,531,934	240,652,028	29.89%	3,870
2016	229,093,805	3,776,254	225,317,551	26.60%	3,631
2017	233,827,109 ⁽⁶⁾	4,717,407	229,109,702	25.54%	3,566
2018	253,203,920 ⁽⁷⁾	6,018,214	247,185,706	25.54%	3,782
2019	239,647,719 ⁽⁸⁾	7,838,599	231,809,120	21.99%	3,460

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.

⁽²⁾ City issued \$27 million of G.O. Warrants to refund outstanding debt.

⁽³⁾ 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.

⁽⁴⁾ City issued \$31.99 million of G.O. Warrants to refund outstanding debt and provide for school improvements.

⁽⁵⁾ 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.

⁽⁶⁾ 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.

⁽⁷⁾ City issued \$30.61 million of G.O. Warrants to pay the costs of construction of a new public safety complex.

⁽⁸⁾ City issued \$14.91 million of G.O. Warrants to refund outstanding debt.

Table 11
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt

Fiscal Year 2019

Unaudited

	Debt Outstanding	Estimated Percentage Applicable⁽¹⁾	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 239,647,719	100%	\$ 239,647,719
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 26,642,907	40%	10,693,469
Total Direct and Overlapping Debt			<u>\$ 250,341,188</u>

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.

Table 12
City of Auburn ~ Primary Government
Legal Debt Margin Information

Last Ten Fiscal Years
(amounts expressed in thousands)
Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	150,282	159,565	160,252	159,516	155,255	167,626	169,409	179,407	193,538	210,863
Total net debt applicable to limit	<u>73,116</u>	<u>64,479</u>	<u>60,974</u>	<u>56,673</u>	<u>46,895</u>	<u>38,387</u>	<u>31,083</u>	<u>24,897</u>	<u>49,634</u>	<u>44,659</u>
Legal debt margin	<u>77,166</u>	<u>95,086</u>	<u>99,278</u>	<u>102,843</u>	<u>108,360</u>	<u>129,239</u>	<u>138,326</u>	<u>154,510</u>	<u>143,904</u>	<u>166,204</u>
Total net debt applicable to limit as a percentage of debt limit	48.65%	40.41%	38.05%	35.53%	30.21%	22.90%	18.35%	13.88%	25.65%	21.18%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	<u>\$ 1,054,315,567</u>
Debt limit (20% of total assessed value)	<u>\$ 210,863,113</u>
Debt applicable to limit:	
General obligation bonds	\$ 228,426,644
Less: Exempt Debt	<u>183,767,871</u>
Total net debt applicable to limit	<u>44,658,773</u>
Legal debt margin	<u>\$ 166,204,340</u>

Table 13
City of Auburn ~ Primary Government
Pledged Revenue Coverage

Last Ten Fiscal Years

Unaudited

Sewer G.O. Warrants ⁽¹⁾

Fiscal Year	Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue (A)	Principal (B)	Interest (C)	Coverage ⁽⁴⁾ A/(B+C)
	\$	\$	\$	\$	\$	
2010	8,803,453	4,548,588	4,254,865	1,060,000	1,788,254	1.49
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

⁽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 Revenue Fund's ability to pay its debt service. A ratio of one or greater indicates sufficient earnings to cover the debt payments.

Table 14
City of Auburn ~ Primary Government
Demographic and Economic Statistics
 Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Per Capita Personal Income⁽²⁾</u>	<u>Personal Income (expressed in thousands)⁽³⁾</u>	<u>Unemployment Rate⁽⁴⁾</u>
		\$	\$	
2010	53,780	28,838	1,550,908	7.3%
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	*	*	*	2.9%

⁽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

Table 15
City of Auburn ~ Primary Government
Principal Employers
 Current Year and Nine Years Ago
Unaudited

Employer	2010			2019		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University ⁽¹⁾	8,446	1	36.80%	9,607	1	31.47%
Auburn City Schools	800	2	3.49%	1,010	2	3.31%
City of Auburn and Auburn Water Works Board(2)	665	3	2.90%	740	3	2.42%
Briggs & Stratton Corporation	540	4	2.35%	630	4	2.06%
Aptar CSP Technologies, Inc.	300	5	1.31%	520	5	1.70%
SCA, Inc.	265	7	1.15%	320	6	1.05%
Wal-Mart Supercenter	325	6	1.42%	320	7	1.05%
GE Aviation	-	-	-	280	8	0.92%
Borbet Alabama, Inc.	255	9	1.11%	265	9	0.87%
Seohan Auto USA Corp./Seohan-NTN Driveshaft USA Corp.	140	10	0.61%	245	10	0.80%
Total	11,736		51.13%	13,937		45.65%

⁽¹⁾ Includes temporary and seasonal employees.

Source: City of Auburn Economic Development Department, Alabama Department of Labor

Table 16
City of Auburn ~ Primary Government
Regular Full-Time Employees by Function/Program
 Last Ten Fiscal Years
 Unaudited

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government and Administration ¹	77	81	81	77	76	76	76	77	77	46
Public Works ²										
Administration	-	-	-	-	-	-	-	-	-	3
Maintenance	-	-	-	-	-	-	-	-	-	9
Facilities	-	-	-	-	-	-	-	-	-	4
Construction ³	18	18	18	18	18	18	18	19	38	9
Landscape and Sustainability	-	-	-	-	-	-	-	-	-	10
Right of Way	7	7	7	7	7	7	7	7	0	7
Inspection	6	6	6	6	6	6	6	7	7	0
Traffic Engineering	3	3	3	3	3	4	4	5	5	0
Environmental Services										
Administration	-	-	-	-	-	-	-	-	-	5
Recycling	16	16	16	16	16	16	16	16	16	15
Solid Waste	16	16	16	16	16	16	16	16	16	17
Animal Control	2	2	2	2	2	2	2	3	3	3
Fleet Services	10	10	10	10	10	10	10	10	10	10
Public Safety										
Administration	-	-	-	-	-	-	-	-	-	3
Police	113	113	113	115	116	116	117	129	142	143
Communications	11	11	11	11	11	11	13	13	13	13
Fire	43	43	43	43	43	43	43	43	43	49
Library	16	17	17	17	18	19	19	19	19	19
Parks and Recreation										
Administration	-	-	-	-	-	-	-	-	-	5
Leisure Services	15	15	15	15	15	16	17	17	19	17
Parks and Facilities	26	26	26	26	26	26	26	26	23	23
Development Services										
Administration	-	-	-	-	-	-	-	-	-	3
Planning ⁴	-	-	-	-	-	-	-	-	-	7
Inspection Services ⁵	9	9	8	8	8	8	9	10	13	14
Engineering ⁶	11	11	11	11	11	11	11	9	13	25
Social and Economic Development										
Economic Development	13	13	12	12	12	12	12	12	13	9
Community Services ⁷	-	-	-	-	-	-	-	-	-	4
Human Resources ⁸	-	-	-	-	-	-	-	-	-	6
Risk Management ⁸	-	-	-	-	-	-	-	-	-	2
Sewer ⁹										
Administration	-	-	-	-	-	-	-	-	-	6
Sewer Maintenance ¹⁰	16	16	17	17	17	19	21	20	18	16
Line Locating	-	-	-	-	-	-	-	-	-	4
Watershed Maintenance	-	-	-	-	-	-	-	-	-	3
Total	428	433	432	430	431	436	443	458	488	509

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

Table 17
City of Auburn ~ Primary Government
Operating Indicators by Function/Program
 Last Ten Fiscal Years
 Unaudited

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	2,643	2,712	3,096	3,053	3,102	3,679	2,957	2,612	2,703	3,133
Traffic violations	20,618	23,736	25,016	21,510	18,557	21,805	16,518	26,970	27,357	29,446
Calls for service	*	*	*	*	*	*	184,429	211,860	248,030	246,303
Fire										
Number of calls answered	4,025	4,065	4,303	4,367	4,948	4,950	5,532	5,900	5,850	6,000
Inspections	1,575	1,391	1,559	1,760	1,879	1,946	1,750	2,170	2,170	2,184
Public Works										
Potholes repaired	750	625	454	70	87	18	23	19	42	110
Environmental Services										
Refuse collected (tons/day) ⁽¹⁾	91	104	103	102	101	104	108	112	116	115
Recyclable collected (tons/day) ⁽¹⁾	4.36	4.40	5.82	5.60	4.96	5.03	5.09	5.21	6.65	9.21
Parks and Recreation										
Athletic participants	4,959	2,964	4,540	4,478	6,069	6,846	15,002 ²	17,159	15,818	16,119
Recreation center admissions	138,751	150,690	164,888	241,042	292,933	216,416	379,704 ²	434,806	456,356	377,644
Sewer										
Average daily sewage treatment (millions of gallons)	6.69	6.02	6.28	6.70	7.54	7.50	7.56	8.06	8.46	8.60

Source: City departments

* New operating indicator for 2016

⁽¹⁾Each year consists of 251 work days.

⁽²⁾Represents a change in methodology

Table 18
City of Auburn ~ Primary Government
Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years
 Unaudited

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	2	2	2
Patrol units	98	94	96	96	94	96	100	113	116	114
Fire stations	5	5	5	5	5	5	5	5	5	5
Environmental Services										
Collection trucks	8	8	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)	693	693	700	739	742	624 ¹	627 ¹	635 ¹	648 ¹	672.000 ¹
Engineering Services										
Signaled Intersections	59	60	60	60	61	61	63	64	64	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
Swimming pools	2	2	2	2	2	2	2	2	1 ²	1
Tennis courts	44	44	44	44	44	44	44	44	40 ³	40
Community centers	4	4	4	5	5	5	5	5	5	5
Community Skate Park	0	0	0	0	0	0	0	0	0	1
Sewer										
Sanitary sewers (miles)	248	300	300	330	350	350	350	350	350	350
Maximum daily treatment capacity (millions of gallons)	11	11	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 Replacing 4 tennis court with the Auburn-Opelika Joint Skate Park



City of Auburn

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STATISTICAL SECTION

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Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.



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