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# City of Auburn Hills, Michigan

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**Financial Report  
with Supplemental Information  
December 31, 2020**

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## **Independent Auditor's Report**

To the Honorable Mayor and Members  
of the City Council  
City of Auburn Hills, Michigan

### **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 information of the City of Auburn Hills, Michigan (the "City") as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the City of Auburn Hills, Michigan'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 information of the City of Auburn Hills, Michigan as of December 31, 2020 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members  
of the City Council  
City of Auburn Hills, Michigan

## **Other Matters**

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 Hills, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021 on our consideration of the City of Auburn Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Hills, Michigan's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

June 2, 2021

As management of the City of Auburn Hills, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2020.

### **Financial Highlights**

- Globally, each and every person was impacted by the Coronavirus 19 Pandemic. The City of Auburn Hills was prepared financially to weather the potential financial losses. Due to careful planning and a proactive staff, the City took advantage of \$1.1 million in various CARES Act related funding to provide for the additional expenses to give the necessary support to staff and community. This funding, along with other federal funding, provided the general fund \$1.9 million in grants compared to 2019 federal grant funding of just over \$160,000.
- On August 4, 2020, citizens placed their trust in the City of Auburn Hills by voting in favor of a 1.5 mill road millage to fund road infrastructure well into the future. In 2021, it will provide about \$2.4 million to the General Fund for this effort. This support of the community during such an unprecedented time will allow the City to consistently maintain road infrastructure for years to come providing relief to the General Fund to be used for other necessary city initiatives
- Property tax values increased resulting in property tax revenue of \$18.1 million, an increase of approximately \$980,000 over that of the prior fiscal year. Additional road special assessments for West Entrance and Atlantic Boulevard began in 2020 and thus increased General Fund special assessment revenue to approximately \$1 million in 2020.
- In 2020, the general fund transferred \$8.5 million to Roads for support of infrastructure projects. It also provided \$940,000 for HVAC and Roofing improvements and provided voluntary funding to pension and retiree health care trusts over the required actuarial contributions of \$1.5 million.

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statement of net position presents financial information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions, that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal, as well as the City's golf course operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also eight discretely presented component units. There are three separate Tax Increment Finance Authority (TIFA) Districts, the Brownfield Redevelopment Authority (BRA), the Economic Development Corporation (EDC), the Downtown Development Authority (DDA), the Pension Trust Fund, and the Retiree Health Care Trust Fund.

The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as part of the primary government.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund and major special revenue funds to demonstrate compliance with this budget.
- **Proprietary funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewage disposal activities and the City's golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of the fleet (supporting the needs of the City's vehicle and equipment needs) and the retiree health care program (supporting the funding of retiree health care for those employees eligible for OPEB). Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include both the pension and other postemployment benefit trust funds, and custodial funds.

#### **Notes and Other Information**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplemental information on pensions and OPEB.

## City of Auburn Hills, Michigan

### Management's Discussion and Analysis (Continued)

#### Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$185,820,205 at the close of the most recent fiscal year. Total noncurrent liabilities include \$29.3 million related to pension obligations (\$15.8 million) and Other Postemployment Benefits (OPEB) obligations (\$13.5 million) representing the City's future retiree obligations.

#### City's Net Position

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 62,761,645	\$ 64,112,654	\$ 42,258,271	\$ 39,614,622	\$ 105,019,916	\$ 103,727,276
Capital assets	78,338,524	70,190,819	78,707,573	78,720,064	157,046,097	148,910,883
Total assets	141,100,169	134,303,473	120,965,844	118,378,068	262,066,013	252,638,159
<b>Deferred Outflows of Resources</b>	1,744,554	998,174	140,646	84,564	1,885,200	1,082,738
<b>Liabilities</b>						
Current liabilities	3,926,029	4,415,699	2,320,771	3,335,168	6,246,800	7,750,867
Noncurrent liabilities	36,888,221	38,173,205	8,023,660	8,608,906	44,911,881	46,782,111
Total liabilities	40,814,250	42,588,904	10,344,431	11,944,074	51,158,681	54,532,978
<b>Deferred Inflows of Resources</b>	26,572,765	21,113,530	399,562	338,134	26,972,327	21,451,664
<b>Net Position</b>	<b>\$ 75,457,708</b>	<b>\$ 71,599,213</b>	<b>\$ 110,362,497</b>	<b>\$ 106,137,042</b>	<b>\$ 185,820,205</b>	<b>\$ 177,736,225</b>

#### City's Changes in Net Position

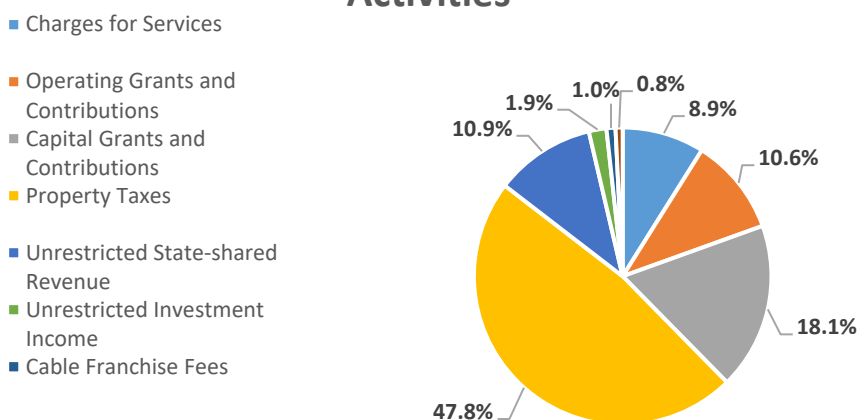
	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,373,788	\$ 4,810,847	\$ 18,472,927	\$ 19,385,523	\$ 21,846,715	\$ 24,196,370
Operating grants	3,996,064	2,764,609	2,505	3,678	3,998,569	2,768,287
Capital grants	6,844,720	743,065	1,898,786	1,303,414	8,743,506	2,046,479
General revenue:						
Taxes	18,056,312	17,075,413	-	-	18,056,312	17,075,413
Intergovernmental	4,116,412	3,901,154	-	-	4,116,412	3,901,154
Investment earnings	724,032	877,550	517,906	636,119	1,241,938	1,513,669
Other revenue	660,230	1,208,563	-	-	660,230	1,208,563
Total revenue	37,771,558	31,381,201	20,892,124	21,328,734	58,663,682	52,709,935
<b>Expenses</b>						
General government	7,785,940	5,848,791	-	-	7,785,940	5,892,173
Public safety	16,529,046	13,094,756	-	-	16,529,046	13,094,756
Public works	8,364,399	6,573,095	-	-	8,364,399	6,573,095
Community and economic development	666,158	727,311	-	-	666,158	727,311
Recreation and culture	374,014	539,019	-	-	374,014	539,019
Debt service	193,506	209,680	-	-	193,506	209,680
Water and Sewer	-	-	15,990,888	15,892,556	15,990,888	15,849,174
Fieldstone Golf Club	-	-	675,781	1,754,247	675,781	1,754,247
Total expenses	33,913,063	26,992,652	16,666,669	17,646,803	50,579,732	44,639,455
Transfers	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>3,858,495</b>	<b>4,388,549</b>	<b>4,225,455</b>	<b>3,681,931</b>	<b>8,083,950</b>	<b>8,070,480</b>



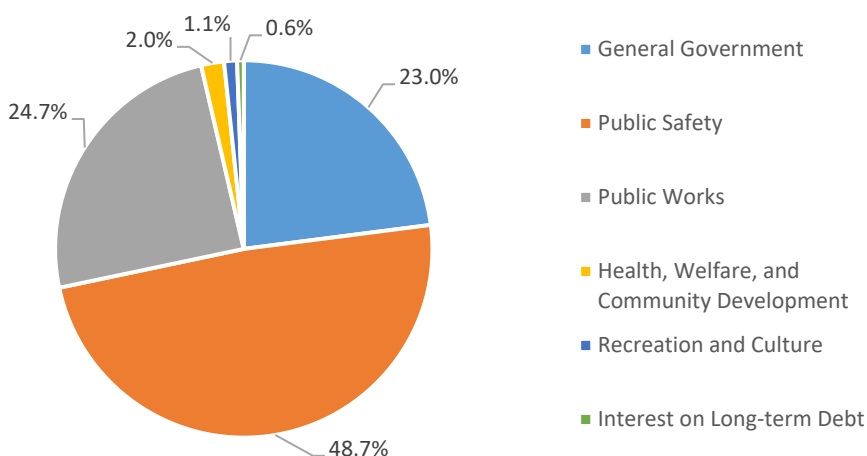
### Governmental Activities

The City had an increase in net position of \$3.9 million in its governmental activities during 2020. Total revenues increased \$6.4 million and total expenditures increased \$6.9 million from that of the prior year. Capital spending increased over that of 2019 by \$6.2 million in 2020 primarily in roads and thus we saw an increase in state capital contributions to accommodate part of the increase in revenues. Federal funding related to the Pandemic also contributed to revenue increases to offset other unanticipated expenses necessary in response to Coronavirus 10 protocols.

#### Revenue by Source - Governmental Activities

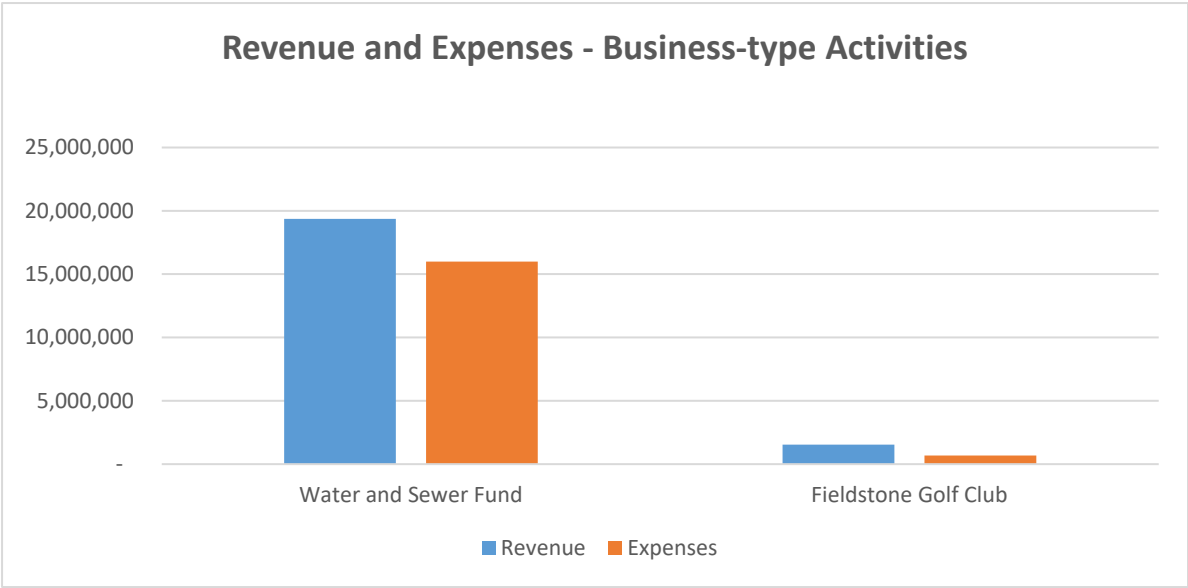
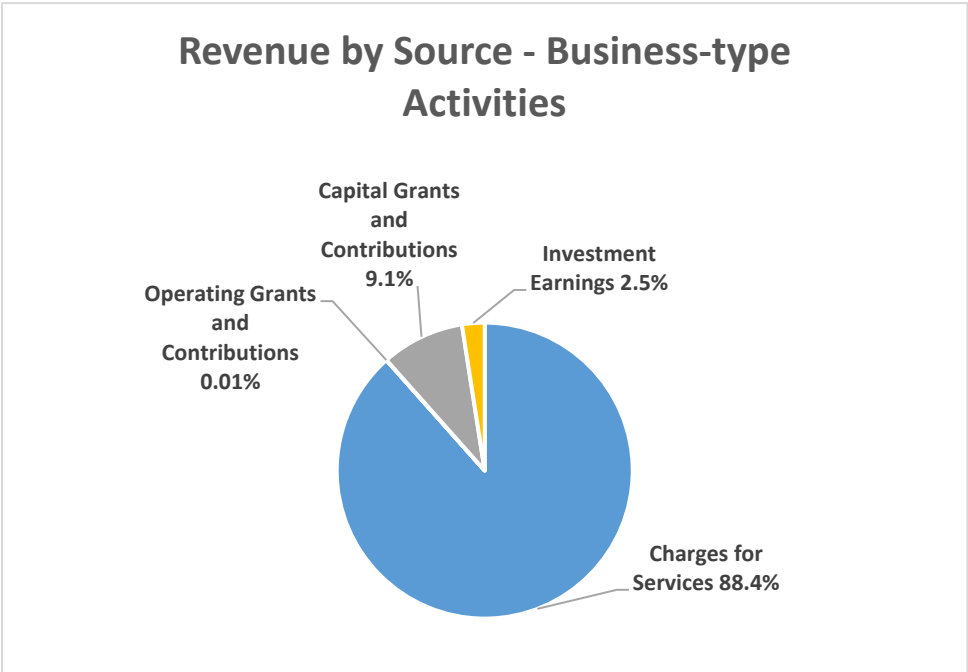


#### Program Expenses-Governmental Activities



Business-Type Activities

The City had an increase in net position of approximately \$4.2 million compared to the prior year's change of an increase of \$3.7 million. This change is due to an increase in contributed capital of \$500,000 over the prior year.



#### **Governmental Funds**

At December 31, 2020, the City's governmental funds reported a combined fund balance of \$31.0 million, a decrease of approximately \$4.8 million from the December 31, 2019 fund balance of \$35.8 million. This change is a result of a decrease to the General Fund balance of \$5.8 million and an increase to Major and Local Streets Fund balance of \$1.1 million.

The unassigned portion of the fund balance represents 64.1% of total General Fund expenditures (excluding net transfers) for the 2020 fiscal year as compared to 53.8% for fiscal year ending 2019. In 2020, the City assigned an additional \$4.5 million of its fund balance for road repairs and infrastructure costs expected to be needed in 2022. The City also assigned \$1 million for pension and retiree health care advanced funding contributions. Anticipated debt service for 2022 (as of the end of 2020) is also assigned. These assignments beyond the 2021 expected used of fund balance per the current 2021 budget plan provide additional assurance that sufficient funds are recognized as budget planning resumes for 2022.

Revenue increased \$2,702,317 across governmental funds in 2020 over the prior year. While slight increases were seen in most every category, federal and state grants were \$1,990,889 more in 2020 compared to that of 2019. This was primarily due to funding during the COVID-19 pandemic.

Expenditures (not including transfers) in the governmental funds increased by \$8.9 million. The increase was primarily due to the Major and Local Streets fund expenditures, which increased from \$4.1 million in 2019 to \$10.5 million in 2020 and General Fund expenditures, which increased from \$26.8 million in 2019 to \$29.7 million in 2020.

#### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements. The proprietary funds include the Water and Sewer fund and the Fieldstone Golf Club fund.

The net position in the Water and Sewer fund is \$96.7 million as of December 31, 2020, an increase of \$3.1 million from 2019. The unrestricted net position decreased \$740,943 to \$30.1 million.

The City has been a member of the North Oakland County Water Authority (NOCWA), which provides joint management of four-member community water systems, since 2015. NOCWA began operations with the goal to optimize operational efficiency and contain water service costs by which GLWA wholesale water rates are driven with the maximum day and peak hour values agreed upon in the contract. NOCWA members followed their operational plan and was able to demonstrate that it could achieve a more favorable reduced peak hour demand than the original contract value. The GLWA contract was amended, and water service cost increases were minimized to achieve greater fiscal value. The City's participation in NOCWA has allowed the City to contain its water service costs and has helped the fund realize operational gains. These efficiencies enabled the City to pass on lower increases in utility service fees each year since 2017. In 2020, the City did not increase its water rate and imposed a 1% increase in sewer service only.

The Water and Sewer fund experienced an operational gain in 2020 of \$955,921 and capital contributions and non-operating activity of \$2.2 million resulting in the increase in total net position of \$3.1 million. The magnitude of private development commitment helped to support the increase in capital and developer contributions reported in 2020; developer contribution increased by 70 percent in 2020.

The water and sewer departments have remained diligent in controlling costs in order to maintain adequate reserves for both regular maintenance of infrastructure and any emergency, while minimizing annual rate increases to maintain sufficient reserves for capital repairs, reconstructions, and emergency situations. The Water and Sewer fund operating expenses in 2020 were \$16.0 million. This was an increase of \$164,366 from the prior year, thus supporting a relatively consistent budget year over year.

Water and sewer utility charges consider that the City needs to cover not only water and sewer treatment costs and unanticipated emergency repairs, but also operational departmental costs and improvements in infrastructure. Capital improvements performed by the Oakland County Water Resources Commissioner (OCWRC) with respect to the Clinton-Oakland Sanitary Disposal System (COSDS), the Evergreen-Farmington Sanitary Disposal System (EFSDS), the Oakland-Macomb Interceptor Drain (OMID), and the Clinton River Water Resources Recovery (CRWRR) sewage treatment facility, are allocated to the City. Therefore, increases in service costs assist in meeting the ongoing shared CIP infrastructure costs passed on by OCWRC.

The unrestricted net position of Fieldstone Golf Club at year-end is \$825,190. The Fieldstone Golf Club fund experienced an operating income of \$854,439. The golf club, however, has working capital of \$926,518 and is financially stable.

#### **General Fund Budgetary Highlights**

The General Fund actual revenue exceeded budgeted revenues by \$1.4 million. This additional revenue is primarily related to federal grant funding. We also added additional special assessment revenue related to the West Entrance and Atlantic Boulevard road projects.

The expenses of the General fund were under budget by approximately \$2.2 million. About \$1.2 million is related to funds encumbered in 2020 but the related goods or services were not received or anticipated to be received until 2021. Wages and related benefits also lagged budget by \$437,000. This was due to unfilled positions as well as some reductions in part time staffing needs. We also saw some reductions in normal general operating costs across the board due to the limitations the Pandemic put on activities and the amount of business that occurred.

**Capital Assets** - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020 is \$147.3 million (net of accumulated depreciation and related debt), an increase of approximately \$12 million from 2019. This increase is due to several projects being completed that were in progress during 2018 and 2019 as well additional investment in road and building improvements.

**Long-Term Debt**- The City has total debt outstanding of \$13.7 million (excluding compensated absences) at December 31, 2020. During the year, the City assumed its pro-rata share, \$123,278, of added debt related to the Clinton River Water Resource Recovery Facility. Further, it assumed its share of additional Oakland -Macomb Interceptor Drain debt on Series 2019B of \$597,805. The City plans to issue Limited Tax Obligation Bonds for capital improvements in roads and buildings in 2021 for \$14,500,000. Additionally, the City anticipates Oakland County's Water Resource Commission is to pass on allocated debt during the coming year. More information on the City's long-term debt can be found in Note 8 of the financial statement.

#### **Economic Factors and Next Year's Budgets and Rates**

This financial audit is being completed at the very start of the reopening of Michigan and with a surge in inflation, which appears to be driven by supply and demand. The U.S. economy has seen growth in the first quarter, likely due to mass vaccination and federal stimulus efforts prompting spending. The 2021 year has no doubt been a bumpy start, but predictions support continued growth, at least through 2022 before an eventual plateau. This is good news for the City of Auburn Hills, but we will proceed with optimistic caution.

The City has weathered the pandemic with the support of the community and very dedicated staff. The pandemic closed the City to the public March 16, 2020, and reopened on June 1, 2020. Most all staff continued to work safely and serve the public during this time. The City is grateful for the perseverance and humility exhibited by so many of the fine men and women that put forth the effort, so we could enter into 2021 seamlessly. This resiliency is seen in the 2021 budget and future forecast that was approved in October 2020 by City Council. It was, of course, prepared with purposeful conservatism as the pandemic rallied a second time.

The City's resiliency and conservative spending allowed the City to weather the longevity of the COVID-19 pandemic. Six months into 2021, we are now prepared to issue debt in July, due to an extremely favorable borrowing environment. The last time the City issued debt was in 2017. Because the City can leverage a favorable borrowing environment, it is positioned well for future anticipated growth in earnings of preserved cash, as well as the utilization of reserves for additional projects that would have been put off or cancelled completely without the bond.

Road millage funds approved by the support of the community in 2020 will also be collected for the first time in 2021. This funding is critical to the continued operational success of the City as costs for goods and services continue to rise. Further, the shortage of workers and materials in various sectors of the economy has undoubtedly challenged the City to maintain its fiscal plan. While some inflationary consideration is given to the budget, the lack of these resources could easily push some projects out to another year and thus may increase the expenditure forecast.

The City's labor force has been challenged. Public safety, particularly the police department, has experienced a higher-than-normal rate of turnover. Some of this turnover is due to planned retirements but has also been impacted by the recent negative narrative that is being repeated in some of the media. That kind of negativity is not only causing departures, it is also making recruitment highly challenging.

Other necessary talent for the City is also at a premium. The Pandemic opened the virtual environment to a number of industries allowing skilled workers more options and more flexibility. Competition, then, for these workers has shifted to a more global competitive environment as workers and their families become more mobile. This could potentially impact City recruits as well as the City's largely commercial and industrial tax base. As of now, the City has no indication of any material change in these revenues but is alert to the potential.

The City's active employee wages, benefits and retirement programs are consistently reviewed. Affordability continues to be balanced with competitiveness to retain talented and committed staff, crucial for the service and decision-making necessary to continue the support and success of the community. In 2021, labor contracts and other agreements modestly increase wages and further improve the affordability of benefits for both the employee and employer. Focused spending in training for succession still continues to be a priority for the City's continued operational and financial success.

For fiscal year 2021 and 2022, projections still indicate road maintenance and improvements will be the greatest investment for the City. The road millage will provide the necessary funding to relieve the stress on the General Fund and allow the City to continue meeting its operational costs without deteriorating general fund reserve.

Management's Discussion and Analysis (Continued)

Annual tax revenue is anticipated to steadily increase. Currently, inflation is expected to be at 2.26% in 2021 (1.81% in 2019, 1.25% in 2020) which will have a direct impact on tax assessments as of December 31, 2021, which drives 2022 property tax revenues. With increases held to the limits of the Headlee Amendment and Proposal A, the City will likely see moderate growth over the next 5 years. This may be a premature statement as it is too early to determine if the business footprint will shrink due to work at home arrangements, or if businesses are unable to continue despite federal recovery efforts. City officials, however, are confident the diversity of the City's tax base will continue to promote growth and stability. There has been no change in the City's operating millage (since 2005), police millage (since 2003), or fire millage (since 2016). The Road millage was approved in 2020.

Below is a chart populated with information from the City's current approved 2021 budget. This budget has not been amended for American Rescue funds anticipated to arrive in two phases of approximately \$1.2 million each year, 2021 and 2022. The City is still studying the appropriate uses of such funds.

The current year budget is amended as necessary throughout the year with an overall review late in the year. At that time, the 2022 -2025 projections will be updated as well.

City of Auburn Hills General Fund			
		2020	2021
		ACTUALS	AMENDED BUDGET
Description			(as of 5/24/21)
PROPERTY TAXES		\$ 18,056,312	\$ 20,986,932
STATE SHARED REVENUE & REFUNDS		4,035,947	3,603,726
LICENSES AND PERMITS		1,068,332	904,700
GRANTS		1,998,671	243,672
CHARGES FOR SERVICES		1,631,881	1,806,523
OTHER REVENUE		2,828,081	2,164,444
INTERFUND CHARGES		3,298,421	3,134,747
TRANSFERS FROM FUNDS		-	-
TOTAL REVENUE SOURCES		\$ 32,917,645	\$ 32,844,744
ANNUAL EXPENDITURES (EXCLUDING TRANSFERS OUT)		\$ 29,703,524	\$ 31,959,565
TRANSFER TO MAJOR STREETS		5,000,000	1,910,000
TRANSFER TO LOCAL STREETS		3,500,000	450,000
TRANSFER TO CI DEBT SERVICE		475,675	303,917
TOTAL EXPENDITURES		\$ 38,679,199	\$ 34,623,482
Net Revenue Under Expenditures		(5,761,554)	(1,778,738)

**Requests for Further Information**

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Treasurer/Finance Department at 1827 N. Squirrel Road, Auburn Hills, Michigan 48326. This report, City budgets, and other financial information are available on the City's website at [www.auburnhills.org](http://www.auburnhills.org).

December 31, 2020

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 42,486,041	\$ 32,000,805	\$ 74,486,846	\$ 21,137,931
Receivables (Note 4)	21,280,624	3,259,859	24,540,483	1,702,575
Internal balances	(2,011,264)	2,011,264	-	-
Inventory	-	178,146	178,146	-
Prepaid expenses and other assets	835,339	67,500	902,839	280,723
Advance to component unit	-	-	-	121,756
Restricted assets (Note 5)	34,668	4,740,697	4,775,365	-
Land held for resale	136,237	-	136,237	-
Capital assets: (Note 7)				
Assets not subject to depreciation	13,488,981	13,181,897	26,670,878	8,378,146
Assets subject to depreciation - Net	64,849,543	65,525,676	130,375,219	46,725,067
Total assets	141,100,169	120,965,844	262,066,013	78,346,198
<b>Deferred Outflows of Resources</b> (Note 6)	1,744,554	140,646	1,885,200	-
<b>Liabilities</b>				
Accounts payable	1,801,890	1,538,151	3,340,041	211,204
Due to other governmental units	83,437	67,371	150,808	558,696
Refundable deposits and bonds	1,002,836	644,961	1,647,797	-
Accrued liabilities and other	929,050	60,668	989,718	-
Provision for property tax refunds	108,816	-	108,816	22,675
Unearned revenue	-	9,620	9,620	-
Advance from component unit	-	-	-	121,756
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	266,729	18,150	284,879	-
Current portion of bonds payable (Note 8)	625,000	480,226	1,105,226	47,232
Due in more than one year:				
Compensated absences (Note 8)	1,506,682	83,439	1,590,121	-
Net pension liability (Note 12)	14,957,496	878,369	15,835,865	-
Net OPEB obligation (Note 13)	12,459,979	1,004,524	13,464,503	-
Bonds payable - Net of current portion (Note 8)	7,072,335	5,558,952	12,631,287	458,275
Total liabilities	40,814,250	10,344,431	51,158,681	1,419,838
<b>Deferred Inflows of Resources</b> (Note 6)	26,572,765	399,562	26,972,327	2,121,883
<b>Net Position</b>				
Net investment in capital assets	70,641,189	76,632,482	147,273,671	55,103,213
Restricted:				
Donations	34,668	-	34,668	-
Tree ordinance	696,381	-	696,381	-
Major and local roads	1,930,377	-	1,930,377	-
Metro Act	102,632	-	102,632	-
Police grants and forfeitures	47,739	-	47,739	-
Community development block grant	22,524	-	22,524	-
NOCWA	-	776,610	776,610	-
Debt service	1,479,364	-	1,479,364	-
Unrestricted	502,834	32,953,405	33,456,239	19,701,264
Total net position	\$ 75,457,708	\$ 110,362,497	\$ 185,820,205	\$ 74,804,477

## City of Auburn Hills, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 7,785,940	\$ 451,975	\$ 18,453	\$ 40,000
Public safety	16,529,046	2,281,785	1,451,391	-
Public works	8,364,399	318,252	2,433,686	6,790,052
Community and economic development	666,158	285,302	83,716	-
Recreation and culture	374,014	36,474	8,818	14,668
Interest on long-term debt	193,506	-	-	-
Total governmental activities	33,913,063	3,373,788	3,996,064	6,844,720
Business-type activities:				
Water & Sewer Fund	15,990,888	16,942,707	2,505	1,898,786
Fieldstone Golf Club Fund	675,781	1,530,220	-	-
Total business-type activities	16,666,669	18,472,927	2,505	1,898,786
Total primary government	<u>\$ 50,579,732</u>	<u>\$ 21,846,715</u>	<u>\$ 3,998,569</u>	<u>\$ 8,743,506</u>
Component units:				
TIFA A	\$ 1,557,362	\$ 53,538	\$ -	\$ 59,391
TIFA B	550,122	-	-	-
TIFA D	1,422,917	427	-	66,894
Brownfield Redevelopment Authority	1,000,223	-	-	91,862
Economic Development Corporation	60	-	-	-
Downtown Development Authority	58,070	-	-	-
Total component units	<u>\$ 4,588,754</u>	<u>\$ 53,965</u>	<u>\$ -</u>	<u>\$ 218,147</u>
General revenue:				
Taxes - Property				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				



## Statement of Activities

Year Ended December 31, 2020

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,275,512)	\$ -	\$ (7,275,512)	\$ -
(12,795,870)	-	(12,795,870)	-
1,177,591	-	1,177,591	-
(297,140)	-	(297,140)	-
(314,054)	-	(314,054)	-
(193,506)	-	(193,506)	-
(19,698,491)	-	(19,698,491)	-
-	2,853,110	2,853,110	-
-	854,439	854,439	-
-	3,707,549	3,707,549	-
(19,698,491)	3,707,549	(15,990,942)	-
-	-	-	(1,444,433)
-	-	-	(550,122)
-	-	-	(1,355,596)
-	-	-	(908,361)
-	-	-	(60)
-	-	-	(58,070)
-	-	-	(4,316,642)
18,056,312	-	18,056,312	2,604,179
4,116,412	-	4,116,412	1,225,864
724,032	517,906	1,241,938	395,792
371,183	-	371,183	-
289,047	-	289,047	105
23,556,986	517,906	24,074,892	4,225,940
3,858,495	4,225,455	8,083,950	(90,702)
71,599,213	106,137,042	177,736,255	74,895,179
<b>\$ 75,457,708</b>	<b>\$ 110,362,497</b>	<b>\$ 185,820,205</b>	<b>\$ 74,804,477</b>

# City of Auburn Hills, Michigan

## Governmental Funds Balance Sheet

December 31, 2020

	General Fund	Major and Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 31,451,380	\$ 2,619,276	\$ 2,166,546	\$ 36,237,202
Receivables:				
Property taxes receivable	15,290,982	-	-	15,290,982
Special assessments receivable	1,518,944	-	937,663	2,456,607
Customer receivables	624,857	-	-	624,857
Other receivables	37,914	67,734	-	105,648
Due from other governments	2,382,663	399,591	16,569	2,798,823
Prepaid expenses and other assets	101,846	-	-	101,846
Land held for resale	136,237	-	-	136,237
<b>Total assets</b>	<b>\$ 51,544,823</b>	<b>\$ 3,086,601</b>	<b>\$ 3,120,778</b>	<b>\$ 57,752,202</b>
<b>Liabilities</b>				
Accounts payable	\$ 855,399	\$ 573,916	\$ 30,013	\$ 1,459,328
Due to other governmental units	82,412	1,025	-	83,437
Refundable deposits and bonds	352,533	552,853	97,450	1,002,836
Accrued liabilities and other	872,983	28,430	-	901,413
Provision for property tax refunds	108,816	-	-	108,816
<b>Total liabilities</b>	<b>2,272,143</b>	<b>1,156,224</b>	<b>127,463</b>	<b>3,555,830</b>
<b>Deferred Inflows of Resources (Note 6)</b>	<b>22,241,218</b>	<b>49,734</b>	<b>927,899</b>	<b>23,218,851</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>24,513,361</b>	<b>1,205,958</b>	<b>1,055,362</b>	<b>26,774,681</b>
<b>Fund Balances</b>				
Nonspendable:				
Land held for resale	136,237	-	-	136,237
Prepays	101,846	-	-	101,846
Restricted:				
Roads	-	1,880,643	-	1,880,643
Police grants and forfeitures	-	-	47,739	47,739
Debt service	-	-	563,330	563,330
Metro Act	-	-	102,632	102,632
Tree ordinance	-	-	696,381	696,381
Community development block grant	-	-	10,659	10,659
Committed:				
Storm management	64,442	-	-	64,442
Wayne disposal	-	-	644,675	644,675
Assigned:				
Subsequent year's budget	1,623,496	-	-	1,623,496
Pension contribution	250,000	-	-	250,000
OPEB contribution	750,000	-	-	750,000
Roads contribution	4,510,000	-	-	4,510,000
Debt service	561,650	-	-	561,650
Unassigned	19,033,791	-	-	19,033,791
<b>Total fund balances</b>	<b>27,031,462</b>	<b>1,880,643</b>	<b>2,065,416</b>	<b>30,977,521</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 51,544,823</b>	<b>\$ 3,086,601</b>	<b>\$ 3,120,778</b>	<b>\$ 57,752,202</b>

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**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**December 31, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 30,977,521</b>
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 are not reported in the funds	76,384,060
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	2,741,398
Restricted assets held by outside entities are not financial resources and are not reported in the funds	34,668
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(7,697,335)
Accrued interest is not due and payable in the current period and is not reported in the funds	(19,969)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,734,879)
Pension benefits	(19,152,150)
Retiree health care benefits	<u>(12,472,565)</u>
Total employee fringe benefits not reported as fund liabilities	(33,359,594)
Internal service funds are included as part of governmental activities	<u>6,396,959</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 75,457,708</u></b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2020

	General Fund	Major and Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Taxes	\$ 18,056,312	\$ -	\$ -	\$ 18,056,312
Special assessments	989,012	-	247,880	1,236,892
Intergovernmental:				
Federal grants	1,947,881	-	17,899	1,965,780
State sources:				
State-shared revenue	2,183,941	-	80,465	2,264,406
Act 51 gas and weight tax	-	2,396,406	-	2,396,406
Local Community Stabilization Authority	1,852,006	-	-	1,852,006
State grants	49,435	300,000	-	349,435
Local grants and contributions	1,355	88,994	-	90,349
Charges for services:				
Construction code fees	1,214,856	-	-	1,214,856
Charges to other funds	3,298,421	-	-	3,298,421
User fees	381,168	-	318,252	699,420
Service charge	960,852	-	-	960,852
Fines and forfeitures	373,100	-	30,197	403,297
Licenses and permits	458,778	-	-	458,778
Investment income	694,302	1,004	28,726	724,032
Other revenue	456,226	62,466	39,780	558,472
Total revenue	32,917,645	2,848,870	763,199	36,529,714
<b>Expenditures</b>				
Current services:				
General government	12,739,743	-	498	12,740,241
Public safety	14,740,141	-	89,966	14,830,107
Public works	1,095,482	10,463,596	256,994	11,816,072
Health, welfare, and community development	681,710	-	29,643	711,353
Recreation and culture	380,757	-	-	380,757
Debt service:				
Principal	50,000	-	560,000	610,000
Interest and fiscal charges	15,691	-	201,950	217,641
Total expenditures	29,703,524	10,463,596	1,139,051	41,306,171
<b>Excess of Revenue Over (Under) Expenditures</b>	3,214,121	(7,614,726)	(375,852)	(4,776,457)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	8,685,000	810,152	9,495,152
Transfers out	(8,975,675)	-	(519,477)	(9,495,152)
Total other financing (uses) sources	(8,975,675)	8,685,000	290,675	-
<b>Net Change in Fund Balances</b>	(5,761,554)	1,070,274	(85,177)	(4,776,457)
<b>Fund Balances - Beginning of year</b>	32,793,016	810,369	2,150,593	35,753,978
<b>Fund Balances - End of year</b>	<u>\$ 27,031,462</u>	<u>\$ 1,880,643</u>	<u>\$ 2,065,416</u>	<u>\$ 30,977,521</u>

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended December 31, 2020**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (4,776,457)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	11,781,063
Depreciation expense	(3,506,696)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	1,155,466
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	632,569
Interest expense is recognized in the government-wide statements as it accrues	1,566
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,479,895)
Internal service funds are included as part of governmental activities	50,879
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 3,858,495</u></b>

# Proprietary Funds Statement of Net Position

December 31, 2020

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Nonmajor Fund - Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 31,109,663	\$ 891,142	\$ 32,000,805	\$ 6,248,839
Receivables - Customers	3,248,131	11,728	3,259,859	3,707
Inventory	156,739	21,407	178,146	-
Prepaid expenses and other assets	-	67,500	67,500	733,493
Total current assets	34,514,533	991,777	35,506,310	6,986,039
Noncurrent assets:				
Restricted assets (Note 5)	4,740,697	-	4,740,697	-
Capital assets: (Note 7)				
Assets not subject to depreciation	4,859,454	8,322,443	13,181,897	-
Assets subject to depreciation - Net	63,051,628	2,474,048	65,525,676	1,954,464
Total noncurrent assets	72,651,779	10,796,491	83,448,270	1,954,464
Total assets	107,166,312	11,788,268	118,954,580	8,940,503
<b>Deferred Outflows of Resources</b> - Deferred OPEB costs	127,312	13,334	140,646	19,847
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,489,845	48,306	1,538,151	342,562
Due to other governmental units	62,990	4,381	67,371	-
Refundable deposits and bonds	644,961	-	644,961	-
Accrued liabilities and other	57,716	2,952	60,668	7,668
Unearned revenue	-	9,620	9,620	-
Compensated absences (Note 8)	18,150	-	18,150	7,538
Current portion of bonds payable (Note 8)	480,226	-	480,226	-
Total current liabilities	2,753,888	65,259	2,819,147	357,768
Noncurrent liabilities:				
Compensated absences (Note 8)	78,544	4,895	83,439	30,994
Net pension liability (Note 12)	878,369	-	878,369	-
Net OPEB obligation	909,285	95,239	1,004,524	141,742
Bonds payable - Net of current portion (Note 8)	5,558,952	-	5,558,952	-
Total noncurrent liabilities	7,425,150	100,134	7,525,284	172,736
Total liabilities	10,179,038	165,393	10,344,431	530,504
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions	246,330	-	246,330	-
Deferred OPEB cost reductions	138,704	14,528	153,232	21,623
Total deferred inflows of resources	385,034	14,528	399,562	21,623
<b>Net Position</b>				
Net investment in capital assets	65,835,991	10,796,491	76,632,482	1,954,464
Restricted - NOCWA	776,610	-	776,610	-
Unrestricted	30,116,951	825,190	30,942,141	6,453,759
Total net position	\$ 96,729,552	\$ 11,621,681	108,351,233	\$ 8,408,223
Amounts reported for business-type activities in the statement of net position are different because a portion of the internal service funds is included as business-type activities			2,011,264	
<b>Total Net Position</b>			\$ 110,362,497	

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2020

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Nonmajor Fund - Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>				
Sale of water	\$ 8,990,397	\$ -	\$ 8,990,397	\$ -
Sewage disposal charges	7,237,763	-	7,237,763	-
Hydrant and equipment rental	118,545	-	118,545	-
Interest and penalty charges	380,451	-	380,451	-
Merchandise sales	-	77,499	77,499	-
Greens fees	-	1,312,608	1,312,608	-
Practice range fees	-	78,580	78,580	-
Other operating income	215,551	61,533	277,084	33,064
Charges to other funds	-	-	-	5,509,019
Total operating revenue	16,942,707	1,530,220	18,472,927	5,542,083
<b>Operating Expenses</b>				
Cost of water	4,172,934	-	4,172,934	-
Cost of sewage treatment	5,130,204	-	5,130,204	-
Pension/OPEB recovery	-	(937,664)	(937,664)	-
Administrative charges	2,553,173	198,140	2,751,313	-
Supplies	303,427	304,666	608,093	320,368
Contracted services	64,238	542,209	606,447	132,197
Salaries and wages	635,161	232,500	867,661	194,574
Fringe benefits	609,121	44,426	653,547	3,621,192
Other operating expenses	186,140	-	186,140	517,558
Depreciation	2,332,388	291,504	2,623,892	739,630
Total operating expenses	15,986,786	675,781	16,662,567	5,525,519
<b>Operating Income</b>	955,921	854,439	1,810,360	16,564
<b>Nonoperating Revenue (Expense)</b>				
Investment income	517,178	728	517,906	89,029
Interest expense	(95,121)	-	(95,121)	-
Gain (loss) on disposal of assets	(155,000)	-	(155,000)	191,305
Federal grants	2,505	-	2,505	-
Total nonoperating revenue	269,562	728	270,290	280,334
<b>Income - Before capital contributions</b>	1,225,483	855,167	2,080,650	296,898
<b>Capital Contributions</b>				
Capital and lateral charges	1,026,970	-	1,026,970	-
Developer contributions	871,816	-	871,816	-
Total capital contributions	1,898,786	-	1,898,786	-
<b>Change in Net Position</b>	3,124,269	855,167	3,979,436	296,898
<b>Net Position - Beginning of year</b>	93,605,283	10,766,514	104,371,797	8,111,325
<b>Net Position - End of year</b>	<u>\$ 96,729,552</u>	<u>\$ 11,621,681</u>	<u>\$ 108,351,233</u>	<u>\$ 8,408,223</u>
<b>Net Change in Net Position - Total enterprise funds</b>			\$ 3,979,436	
Amounts reported for business-type activities in the statement of activities are different because a portion of the internal service funds is included as business-type activities			246,019	
<b>Change in Net Position of Business-type Activities</b>			<u>\$ 4,225,455</u>	

Proprietary Funds  
Statement of Cash Flows

Year Ended December 31, 2020

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Nonmajor Fund - Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 17,388,173	\$ 1,489,176	\$ 18,877,349	\$ -
Receipts from interfund services and reimbursements	-	-	-	5,513,339
Payments to suppliers	(10,941,916)	(869,378)	(11,811,294)	(1,018,688)
Payments to employees and fringes	(1,000,754)	(269,079)	(1,269,833)	(3,729,265)
Payments to other funds	(2,553,469)	(198,140)	(2,751,609)	(408,022)
Other receipts	4,130	38,936	43,066	33,064
Net cash provided by operating activities	2,896,164	191,515	3,087,679	390,428
<b>Cash Flows Provided by Noncapital Financing Activities - Federal grants</b>	2,505	-	2,505	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of capital assets	-	-	-	203,479
Purchase of capital assets	(740,114)	(6,030)	(746,144)	(629,810)
Principal and interest paid on capital debt	(688,627)	-	(688,627)	-
Capital and lateral charges	1,026,970	-	1,026,970	-
Prepayment to OMID for future capital projects	(4,131,586)	-	(4,131,586)	-
Net cash used in capital and related financing activities	(4,533,357)	(6,030)	(4,539,387)	(426,331)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	517,178	728	517,906	89,029
<b>Net (Decrease) Increase in Cash</b>	(1,117,510)	186,213	(931,297)	53,126
<b>Cash - Beginning of year</b>	32,227,173	704,929	32,932,102	6,195,713
<b>Cash - End of year</b>	<u>\$ 31,109,663</u>	<u>\$ 891,142</u>	<u>\$ 32,000,805</u>	<u>\$ 6,248,839</u>
<b>Classification of Cash - Cash and investments</b>	<u>\$ 31,109,663</u>	<u>\$ 891,142</u>	<u>\$ 32,000,805</u>	<u>\$ 6,248,839</u>



Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended December 31, 2020

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Nonmajor Fund - Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income	\$ 955,921	\$ 854,439	\$ 1,810,360	\$ 16,564
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	2,332,388	291,504	2,623,892	739,630
Changes in assets and liabilities:				
Receivables	449,596	(2,108)	447,488	-
Due to and from other funds	(296)	-	(296)	4,320
Inventories	4,085	5,994	10,079	-
Prepaid and other assets	-	(67,500)	(67,500)	(729,361)
Accounts payable	(1,089,058)	39,003	(1,050,055)	272,774
Net pension or OPEB liability	60,499	(785,318)	(724,819)	59,424
Deferrals related to pension or OPEB	157,692	(152,346)	5,346	5,535
Accrued and other liabilities	25,337	7,847	33,184	21,542
Total adjustments	1,940,243	(662,924)	1,277,319	373,864
Net cash provided by operating activities	<u>\$ 2,896,164</u>	<u>\$ 191,515</u>	<u>\$ 3,087,679</u>	<u>\$ 390,428</u>

During 2020, developers contributed \$711,506 of water mains and \$160,310 of sewer mains to the Water & Sewer Fund. In addition, on behalf of the City, Oakland County, Michigan constructed the Clinton River Water Resource Recovery Facility Drainage District. During 2020, the City reported capital asset additions associated with the project of \$105,662, which includes \$49,793 of interest paid by the City that was capitalized. The City incurred additional long-term debt of \$123,278, which includes \$67,409 that was converted from amounts due to other governmental units.

On behalf of the City, Oakland County constructed sewer lines related to the Oakland-Macomb Interceptor Drain project for which the City incurred additional long-term debt of \$746,901.

Fiduciary Funds  
Statement of Fiduciary Net Position

December 31, 2020

		Custodial Funds		
	Pension and Other Employee Benefit Trust Funds	Tax Collection Fund	Auburn Hills Public Library Investment Pool	Total Fiduciary Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,353,790	\$ 3,484,296	\$ 412,397	\$ 5,250,483
Investments:				
Pooled investments	-	-	797,169	797,169
Mutual funds - Fixed income	6,505,231	-	-	6,505,231
Mutual funds - Equity	33,554,289	-	-	33,554,289
Multistrategy hedge funds	6,306,900	-	-	6,306,900
Commingled funds	21,585,684	-	-	21,585,684
Common stock	10,046,319	-	-	10,046,319
Foreign stock	519,147	-	-	519,147
Real estate	7,101,786	-	-	7,101,786
Receivables:				
Accrued interest receivable	13,821	-	-	13,821
Other receivables	4,753	-	-	4,753
Total assets	86,991,720	3,484,296	1,209,566	91,685,582
<b>Liabilities</b> - Undistributed tax collections	-	3,484,296	-	3,484,296
<b>Net Position</b>				
Restricted:				
Pension	59,488,512	-	-	59,488,512
Postemployment benefits other than pension	27,503,208	-	-	27,503,208
Pool participants	-	-	1,209,566	1,209,566
Total net position	<u>\$ 86,991,720</u>	<u>\$ -</u>	<u>\$ 1,209,566</u>	<u>\$ 88,201,286</u>

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2020

	Pension and Other Employee Benefit Trust Funds	Custodial Funds		Total Fiduciary Funds
		Tax Collection Fund	Auburn Hills Public Library Investment Pool	
<b>Additions</b>				
Investment income:				
Interest and dividends	\$ 1,499,746	\$ -	\$ -	\$ 1,499,746
Net increase in fair value of investments	6,995,677	-	25,293	7,020,970
Investment-related expenses	(121,569)	-	-	(121,569)
Net investment income	8,373,854	-	25,293	8,399,147
Contributions:				
Employer contributions	5,391,552	-	-	5,391,552
Employee contributions	67,512	-	-	67,512
Total contributions	5,459,064	-	-	5,459,064
Additions by Auburn Hills Public Library	-	-	1,357,035	1,357,035
Property tax collections	-	54,302,091	-	54,302,091
Total additions	13,832,918	54,302,091	1,382,328	69,517,337
<b>Deductions</b>				
Benefit payments	4,104,733	-	-	4,104,733
Medical premiums/expenses	1,339,376	-	-	1,339,376
Deductions by Auburn Hills Public Library	-	-	1,500,062	1,500,062
Tax distributions to other governments	-	54,302,091	-	54,302,091
Total deductions	5,444,109	54,302,091	1,500,062	61,246,262
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	8,388,809	-	(117,734)	8,271,075
<b>Net Position - Beginning of year</b>	78,602,911	-	1,327,300	79,930,211
<b>Net Position - End of year</b>	<b>\$ 86,991,720</b>	<b>\$ -</b>	<b>\$ 1,209,566</b>	<b>\$ 88,201,286</b>

Component Units  
Statement of Net Position

December 31, 2020

	TIFA A	TIFA B	TIFA D	Brownfield Redevelopment Authority	Economic Development Corporation	Downtown Development Authority	Total
<b>Assets</b>							
Cash and investments	\$ 2,662,602	\$ 11,040,952	\$ 3,035,471	\$ 3,933,773	\$ 9,067	\$ 456,066	\$ 21,137,931
Receivables - Property taxes	700,108	812,119	-	93,166	-	97,182	1,702,575
Prepaid expenses and other assets	280,473	250	-	-	-	-	280,723
Advance to component unit	-	121,756	-	-	-	-	121,756
Capital assets: (Note 7)							
Assets not subject to depreciation	6,289,577	-	2,088,569	-	-	-	8,378,146
Assets subject to depreciation - Net	17,956,232	7,858,911	20,909,924	-	-	-	46,725,067
Total assets	27,888,992	19,833,988	26,033,964	4,026,939	9,067	553,248	78,346,198
<b>Liabilities</b>							
Accounts payable	113,933	2,463	86,906	7,849	-	53	211,204
Due to other governmental units	365,357	193,339	-	-	-	-	558,696
Provision for property tax refunds	3,432	2,626	15,500	550	-	567	22,675
Advance from component unit	-	-	-	-	-	121,756	121,756
Noncurrent liabilities: (Note 8)							
Current portion of bonds payable	-	-	-	47,232	-	-	47,232
Bonds payable - Net of current portion	-	-	-	458,275	-	-	458,275
Total liabilities	482,722	198,428	102,406	513,906	-	122,376	1,419,838
<b>Deferred Inflows of Resources</b> - Property taxes levied for subsequent year	750,095	1,073,105	-	131,989	-	166,694	2,121,883
<b>Net Position</b>							
Net investment in capital assets	24,245,809	7,858,911	22,998,493	-	-	-	55,103,213
Unrestricted	2,410,366	10,703,544	2,933,065	3,381,044	9,067	264,178	19,701,264
Total net position	<u>\$ 26,656,175</u>	<u>\$ 18,562,455</u>	<u>\$ 25,931,558</u>	<u>\$ 3,381,044</u>	<u>\$ 9,067</u>	<u>\$ 264,178</u>	<u>\$ 74,804,477</u>

## City of Auburn Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
TIFA A	\$ 1,557,362	\$ 53,538	\$ -	\$ 59,391
TIFA B	550,122	-	-	-
TIFA D	1,422,917	427	-	66,894
Brownfield Redevelopment Authority	1,000,223	-	-	91,862
Economic Development Corporation	60	-	-	-
Downtown Development Authority	58,070	-	-	-
Total	<b>\$ 4,588,754</b>	<b>\$ 53,965</b>	<b>\$ -</b>	<b>\$ 218,147</b>

### General revenue:

Taxes - Property  
 Unrestricted state-shared revenue  
 Unrestricted investment income  
 Other miscellaneous income

Total general revenue

### Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

## Component Units Statement of Activities

**Year Ended December 31, 2020**

Net (Expense) Revenue and Changes in Net Position						
TIFA A	TIFA B	TIFA D	Brownfield Redevelopment Authority	Economic Development Corporation	Downtown Development Authority	Total
\$ (1,444,433)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,444,433)
-	(550,122)	-	-	-	-	(550,122)
-	-	(1,355,596)	-	-	-	(1,355,596)
-	-	-	(908,361)	-	-	(908,361)
-	-	-	-	(60)	-	(60)
-	-	-	-	-	(58,070)	(58,070)
(1,444,433)	(550,122)	(1,355,596)	(908,361)	(60)	(58,070)	(4,316,642)
904,674	1,346,847	-	163,877	-	188,781	2,604,179
244,357	157,791	808,422	15,294	-	-	1,225,864
20,714	192,319	44,262	138,103	-	394	395,792
105	-	-	-	-	-	105
1,169,850	1,696,957	852,684	317,274	-	189,175	4,225,940
(274,583)	1,146,835	(502,912)	(591,087)	(60)	131,105	(90,702)
26,930,758	17,415,620	26,434,470	3,972,131	9,127	133,073	74,895,179
<b>\$ 26,656,175</b>	<b>\$ 18,562,455</b>	<b>\$ 25,931,558</b>	<b>\$ 3,381,044</b>	<b>\$ 9,067</b>	<b>\$ 264,178</b>	<b>\$ 74,804,477</b>

December 31, 2020

## Note 1 - Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Auburn Hills, Michigan (the "City").

### ***Reporting Entity***

The City of Auburn Hills, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

### **Blended Component Unit**

The Building Authority is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

### **Discretely Presented Component Units**

#### ***Tax Increment Finance Authorities (TIFA)***

The TIFAs are governed by a nine-member board. The board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the TIFA board, as the City Council approves the TIFA budgets. The TIFAs were created to finance infrastructure improvements within certain boundaries of the City.

#### ***Brownfield Redevelopment Authority***

The Brownfield Redevelopment Authority is governed by a five-member board. The board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the Brownfield Redevelopment Authority board, as the City Council approves the Brownfield Redevelopment Authority budget. The five-member board is composed of one member of the City Council and four citizens at large. The Brownfield Redevelopment Authority was created to provide a means for financing remediation of brownfield (environmentally contaminated) sites within the City.

#### ***Economic Development Corporation (EDC)***

The EDC is governed by a nine-member board. This board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the EDC, as the City Council approves the EDC budget. The EDC was created to provide a means and method for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises.

#### ***Downtown Development Authority (DDA)***

The Downtown Development Authority is governed by a nine-member board. This board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the DDA, as the City Council approves the DDA budget. The DDA was created to provide a means and method for the encouragement of development in the downtown district of the City.

Although no separate financial statements are prepared for the component units, all financial information can be obtained from the City's finance department.

**December 31, 2020****Note 1 - Significant Accounting Policies (Continued)*****Pension Trust Fund***

The City of Auburn Hills Employee Pension Plan is governed by a nine-member pension board that includes the mayor, mayor pro tem, city manager, city clerk, finance director, two public safety members elected by police and fire members of the plan, a public service member elected by public service members of the plan, and a clerical or technical member elected by clerical or technical members of the plan. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints the voting majority to the pension board and the plan imposes a financial burden on the City.

***Retiree Health Care Trust Fund***

The Auburn Hills Retiree Health Care Plan is governed by a nine-member retiree health care board that includes the mayor, mayor pro tem, city manager, city clerk, finance director, and four members elected by their constituents (two public safety members, one public service member, and one clerical or technical member). Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints the voting majority to the retiree health care board and the plan imposes a financial burden on the City.

***Accounting and Reporting Principles***

The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.



December 31, 2020

## Note 1 - Significant Accounting Policies (Continued)

### ***Fund Accounting***

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, capital project funds, and debt service funds. The City reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major and Local Streets Fund is used to account for funds received from the State of Michigan in accordance with the provisions of Act 51 of 1951 to be used for major and local road maintenance. The fund is also supported by transfers from the General Fund to meet the City's major and local road maintenance needs.

Additionally, the City reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- The Capital Projects Fund is used to account for bond proceeds and funds spent on road and traffic improvements.
- Debt service funds are used to record special assessment revenue and other revenue for payment of interest, principal, and other expenditures on long-term debt.

### **Proprietary Funds**

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a major enterprise fund:

- The Water & Sewer Fund provides water to customers and disposes of sanitary sewage for residents and commercial enterprises of the City on a user-charge basis.

The City's internal service funds are used to record the financing of services provided by the City to other departments and funds on a cost-reimbursement basis. The internal service funds are accounted for on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

### **Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Pension Trust Fund accumulates resources for pension benefit payments to retirees.
- The Retiree Health Care Trust Fund accumulates resources for future retiree health care payments to retirees.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, and the various smaller authorities).

December 31, 2020

**Note 1 - Significant Accounting Policies (Continued)**

- The Auburn Hills Public Library Investment Pool accumulates cash and investments on behalf of the Auburn Hills Public Library. The Auburn Hills Public Library deposits are invested with city funds. Income, gains, and losses are allocated based upon the average monthly balance. The Auburn Hills Public Library Investment Pool is not subject to regulatory oversight, is not registered with the Securities and Exchange Commission (SEC), and does not issue a separate report. Investments are valued monthly at fair market value.

**Interfund Activity**

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow. In addition, property taxes collected in December of the current year are available; however, those taxes were levied for the following year's budget; therefore, this revenue has also been shown as a deferred inflow.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

December 31, 2020

## Note 1 - Significant Accounting Policies (Continued)

### *Specific Balances and Transactions*

#### **Cash and Investments**

Cash and cash equivalents include cash on hand and short-term investments with a maturity of three months or less when acquired. Pooled investment income is generally allocated to each fund using a weighted average.

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value, as determined based on the City's share of the audited net asset value (NAV) of the investment.

The pension and OPEB trusts include investments valued at approximately \$28.6 million (approximately 48 percent of pension assets) and approximately \$6.1 million (approximately 22 percent of OPEB assets), respectively, whose fair values are not publicly traded and, therefore, do not always have a readily determinable market value at year end. Management's estimates of these values are based on the City's share of NAV of the related investment company. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for these existed. The difference could be material.

#### **Inventories and Prepaid Items**

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Restricted Assets**

Assets have been restricted in the primary government, as they represent assets held by the Auburn Hills Community Foundation; Oakland County, Michigan; and North Oakland County Water Authority to be applied against future payment obligations of the City. See Note 5 for additional discussion.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City adopted a dollar cost threshold of \$25,000 for capital asset classes pertaining to water/sewer infrastructure/mains, buildings, and roads. The threshold for all other capital asset classes is \$5,000. All capital asset classes must have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City uses a full year of depreciation in the first year of service. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

December 31, 2020

## Note 1 - Significant Accounting Policies (Continued)

Infrastructure, buildings, equipment, vehicles, and other capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Water and sewer mains	50
Vehicles	3-5
Officer furniture and equipment	3-5
Machinery and equipment	5
Buildings and improvements	30-35
Roads	40
Storm drains	50

### Long-term Obligations

In the government-wide financial statements and the 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 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 the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability)		
- Reported only at the modified accrual level		✓
Deferred pension costs (or cost reductions)		✓
Deferred OPEB costs (or cost reductions)	✓	✓
Property taxes levied for the following year		✓

### Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable, where applicable. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

December 31, 2020

**Note 1 - Significant Accounting Policies (Continued)**

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider unrestricted net position to have been depleted before restricted net position is applied.

**Fund Balance Flow Assumptions**

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. In all previous years, it has been the City's policy to consider unrestricted fund balance to have been depleted before using any of the components of restricted fund balance. During December 2020, the City's policy was amended on a forward-looking basis to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the finance director, city manager, assistant city manager, and deputy finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget, one time capital projects in the General Fund or for transfers from the General Fund to other funds such as roads to support infrastructure projects and related costs. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City's fund balance policy proscribes the minimum unrestricted fund balance as 20 percent of operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year.

**Property Tax Revenue**

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

December 31, 2020

**Note 1 - Significant Accounting Policies (Continued)**

The City's 2020 property tax revenue was levied and collectible on December 1, 2020 and is recognized as revenue in the year ending December 31, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the City totaled \$1.568 billion (ad valorem only). A portion of the City's taxable value is abated, and a portion is captured by the TIFAs, Brownfield Redevelopment Authority, and DDA. These authorities have tax levies both on the December and July property tax bills. The 2020 taxable valuation, which was levied on July 1 and recognized in the current year, totaled \$133.2 million captured by the TIFAs, \$7.6 million captured by the Brownfield Redevelopment Authority, and \$12.0 million taxable value captured by the DDA. Dollars of taxes were recognized as revenue as follows (excludes penalties, interest, and administrative fees):

Purpose	Millage Rate	Revenue
General operating	2.1100 \$	3,444,074
Fire department	2.5000	4,011,000
Police department	5.9857	9,728,000
Total		<u>\$ 17,183,074</u>

**Pension**

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund and Water & Sewer Fund.

**Other Postemployment Benefit Costs**

The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability has generally been liquidated from the funds from which the individual salaries are paid, which are the General Fund, Water & Sewer Fund, Fieldstone Golf Club Fund, and Fleet Management Fund.

**Compensated Absences (Leave Time)**

City employees are granted leave time in varying amounts based on length of service. Leave time is accrued and fully vested when earned; upon termination, employees are paid accumulated vacation at full rates to a limit of their maximum accrual, which varies by bargaining unit.



December 31, 2020

## Note 1 - Significant Accounting Policies (Continued)

All leave time is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and Water & Sewer Fund, primarily) are used to liquidate obligations.

### **Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water & Sewer Fund and internal service funds is charges to customers for sales and services. The Water & Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Upcoming Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ended December 31, 2020. The GASB deferred the implementation of this standard, resulting in a new implementation date for the City's fiscal year ending December 31, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the City's financial statements for the December 31, 2020 fiscal year. The GASB deferred the implementation date of this new standard, resulting in a new required implementation date for the City's fiscal year ending December 31, 2021.

December 31, 2020

## Note 1 - Significant Accounting Policies (Continued)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the December 31, 2021 fiscal year. The GASB deferred the implementation date of this new standard, resulting in a new required implementation date for the City's fiscal year ending December 31, 2022.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2023.

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending December 31, 2022.



December 31, 2020

**Note 2 - Stewardship, Compliance, and Accountability****Construction Code Fees**

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at January 1, 2020		\$	(1,212,382)
Current year permit revenue			1,302,932
Related expenses:			
Direct costs	\$	1,036,809	
Estimated indirect costs		153,070	1,189,879
Current year surplus			113,053
Cumulative shortfall December 31, 2020		\$	<u>(1,099,329)</u>

**Note 3 - Deposits and Investments**

Deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Cash and investments	\$ 42,486,041	\$ 32,000,805	\$ 91,667,008	\$ 21,137,931

These amounts are classified into the following deposits and investments categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Deposits	\$ 17,240,571	\$ 8,883,229	\$ 3,891,940	\$ 8,135,076
Investments:				
Oakland County - LGIP	3,627,041	1,510,461	-	432,970
Michigan CLASS	1,955,172	3,851,108	-	529,428
Investment managers	19,663,257	17,756,007	87,775,068	12,040,457
Total	<u>\$ 42,486,041</u>	<u>\$ 32,000,805</u>	<u>\$ 91,667,008</u>	<u>\$ 21,137,931</u>

Michigan Compiled Laws Section 129.91 (Public Act (PA) 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

**December 31, 2020****Note 3 - Deposits and Investments (Continued)**

The City adopted Public Act 149 of 1999, which allows the City to invest retiree health care funds in more diversified investment asset classes, as allowed under Michigan Public Act 314 of 1965, as amended.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, CDs, commercial paper, and municipal bonds. The City's deposits and investment policies are in accordance with statutory authority. The City's treasurer periodically submits recommendations for approved depository banks and credit unions to the City Council. The recommendations are based on external rating services and recommendations by the City's external cash fund managers. Additionally, the City participates in the Oakland County Local Government Investment Pool (LGIP) and the Michigan CLASS investment pool. The investment pools are not subject to regulatory oversight, are not registered with the SEC, and do not issue a separate financial report. The fair value of the position in the pools is the same as the value of the pool shares.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy restricts depository accounts to federally insured institutions located within the state of Michigan (consistent with state law). At year end, the City had \$39,196,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$8,966,448 of a fiduciary trust fund and \$9,229 of component unit deposits. The City believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The City contracts one investment manager to manage a portion of the City's surplus operating cash. The funds placed under the investment manager represent commingled funds of the primary government, component unit funds, an internal service fund, and a custodial external investment pool fund. Investments held by the investment manager at December 31, 2020 by the custodial bank include U.S. Treasuries of \$12,838,357 and U.S. agency securities of \$37,418,533. The investments held by the investment managers include \$12,040,457 and \$797,169 of component unit and Auburn Hills Public Library Investment Pool investments, respectively.

As noted above, the City participates in the Oakland County Local Government Investment Pool and the Michigan CLASS investment pool. As of December 31, 2020, the City's investment in the Oakland County Local Government Investment Pool was \$5,570,472, which includes \$432,970 of component unit investments. As of December 31, 2020, the City's investment in the Michigan CLASS investment pool was \$6,335,708, which includes \$529,428 of component unit investments.

In addition to the governmental fund bank deposits noted above, the City had cash and investments held in trust by a custodial bank as a part of the City's Pension Trust Fund and Retiree Health Care Trust Fund program. The funds' cash and investments stated at market value were \$59,475,830 and \$27,497,316 in the Pension Trust Fund and Retiree Health Care Trust Fund, respectively, as of December 31, 2020.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy restricts the average maturity of investments to two years, with the exception of long-term debt or capital fund investments, which may be invested in securities matched to cash flow requirements with a maximum of five years. The City's pension and retiree health care investment policies restrict cash equivalents to a dollar-weighted average maturity of 90 days or less.

December 31, 2020

### Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments and maturities:

Primary Government (Includes Component Unit Investments)	Carrying Value	Less Than One Year	One to Three Years
U.S. government agency	\$ 36,621,364	\$ 12,833,162	\$ 23,788,202
U.S. Treasuries	12,838,357	10,442,868	2,395,489
Oakland County - Investment pool	5,570,472	-	5,570,472
Michigan CLASS - Investment pool	6,335,708	6,335,708	-
Total	<u>\$ 61,365,901</u>	<u>\$ 29,611,738</u>	<u>\$ 31,754,163</u>

Fiduciary Funds	Carrying Value	One to Five Years
Mutual funds - Fixed income	\$ 6,505,231	\$ 6,505,231
Commingled funds - Fixed income	13,528,613	13,528,613
Investment pool	797,169	797,169
Total	<u>\$ 20,831,013</u>	<u>\$ 20,831,013</u>

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's general investment policy also limits investments to: commercial paper to the highest rating (A-I/P-I), bankers' acceptances whose long-term debt rating is at least an A, obligations of the State or its political subdivisions to the highest rating (A-I/P-I), or pooled funds with a rating of at least an A. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government (Includes Component Unit Investments)</b>			
U.S. government agency	\$ 36,621,364	AA+	S&P
U.S. Treasuries	12,838,357	AA+	S&P
Oakland County - Investment pool	5,570,472	Not rated	S&P
Michigan CLASS - Investment pool	6,335,708	AAAm	S&P
Total	<u>\$ 61,365,901</u>		

Investment	Fair Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Mutual funds - Fixed income	\$ 6,505,231	A1	Moody's
Commingled funds - Fixed income	13,528,613	A1	Moody's
Investment pool	797,169	AA+	S&P
Total	<u>\$ 20,831,013</u>		

December 31, 2020

**Note 3 - Deposits and Investments (Continued)*****Fair Value Measurements***

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of December 31, 2020:

Assets and Liabilities Measured at Carrying Value on a Recurring Basis at December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
<b>Assets</b>				
Debt securities:				
U.S. Treasurys	\$ 12,838,357	\$ -	\$ -	\$ 12,838,357
U.S. government agency	-	37,418,533	-	37,418,533
Mutual funds - Fixed income	6,505,231	-	-	6,505,231
Total debt securities	19,343,588	37,418,533	-	56,762,121
Equity securities:				
Common stock	10,046,319	-	-	10,046,319
Foreign stock	519,147	-	-	519,147
Real estate stocks	292,303	-	-	292,303
Mutual funds - Equity	33,554,289	-	-	33,554,289
Total equity securities	44,412,058	-	-	44,412,058
Total investments by fair value level	<u>\$ 63,755,646</u>	<u>\$ 37,418,533</u>	<u>\$ -</u>	101,174,179
Investments measured at net asset value (NAV):				
Oakland County Local Government Investment Pool				5,570,472
Michigan CLASS - Investment pool				6,335,708
Commingled funds				21,585,684
Multistrategy hedge funds				6,306,900
Private real estate funds				<u>6,809,483</u>
Total investments measured at NAV				<u>46,608,247</u>
Total assets				<u>\$ 147,782,426</u>

December 31, 2020

**Note 3 - Deposits and Investments (Continued)**

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair values of U.S. government agency securities at December 31, 2020 were determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

***Investments in Entities that Calculate Net Asset Value per Share***

The City holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Local Government				
Investment Pool	\$ 5,570,472	\$ -	No restrictions	None
Michigan CLASS	6,335,708	-	No restrictions	None
Commingled funds	21,585,684	-	Daily - Monthly	Daily - 15 days
Multistrategy hedge funds	6,306,900	-	Quarterly	95 days
Private real estate funds	6,809,483	-	None - Quarterly	None - 10 days
Total	<u>\$ 46,608,247</u>	<u>\$ -</u>		

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A-1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Oakland County Local Government Investment Pool is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

**Commingled Funds** - This type includes three commingled funds that invest in publicly traded domestic equity, international equity, or fixed income. All of the underlying securities within the commingled funds carry a Level 1 or Level 2 valuation.

**Multistrategy Hedge Funds** - This type invests in three hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 47 percent global stocks, 26 percent global fixed income, and 27 percent balanced/global macro. The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the investments.

December 31, 2020

**Note 3 - Deposits and Investments (Continued)**

*Private Real Estate* - This type includes four real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 8 years. 100 percent of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. Approximately 51 percent of the assets are able to be liquidated via a quarterly redemption queue. The balance of the assets will be liquidated as underlying properties are sold or the investee fund's management approves of the buyer before the sale of the investments can be completed.

**Note 4 - Receivables**

Receivables as of December 31, 2020 for the City's governmental activities, business-type activities, and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Receivables:			
Property taxes receivable	\$ 15,290,982	\$ -	\$ 1,702,575
Special assessments receivable	2,456,607	-	-
Customer receivables	624,857	3,248,131	-
Other receivables	109,355	11,728	-
Due from other governments	2,798,823	-	-
Net receivables	<u>\$ 21,280,624</u>	<u>\$ 3,259,859</u>	<u>\$ 1,702,575</u>

**Note 5 - Restricted Assets**

Restricted assets in the governmental activities represent cash held by the Auburn Hills Community Foundation (the "Foundation") in the amount of \$34,668 that is reflective of donations made to the Foundation for the benefit of the City that are restricted for city capital projects.

Restricted assets in the business-type activities are composed of the City's unspent bond proceeds held by Oakland County, Michigan (the "County") for the improvement of the water and sewer system in the amount of \$3,964,087. The County holds these moneys to apply against future water and sewer system construction for the City. Additionally, restricted assets include a deposit held by North Oakland County Water Authority (NOCWA) in the amount of \$776,610. NOCWA is holding the deposit to cover future water expenses.

**Note 6 - Deferred Inflows/Outflows of Resources**

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities
OPEB related	\$ 1,744,554	\$ 140,646

December 31, 2020

**Note 6 - Deferred Inflows/Outflows of Resources (Continued)**

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds	Governmental Activities	Business-type Activities	Component Units
Property taxes levied for the next fiscal year	\$ 20,477,453	\$ 20,477,453	\$ -	\$ 2,121,883
Special assessments - Unavailable	2,419,846	-	-	-
Grant and other revenue - Unavailable	321,552	-	-	-
Pension related (Note 12)	-	4,194,654	246,330	-
OPEB related (Note 13)	-	1,900,658	153,232	-
Total deferred inflows of resources	<u>\$ 23,218,851</u>	<u>\$ 26,572,765</u>	<u>\$ 399,562</u>	<u>\$ 2,121,883</u>

**Note 7 - Capital Assets**

Capital asset activity of the City's governmental and business-type activities was as follows:

**Governmental Activities**

	Balance January 1, 2020	Reclassifications	Additions	Disposals	Balance December 31, 2020
Capital assets not being depreciated:					
Land	\$ 5,648,991	\$ -	\$ -	\$ -	\$ 5,648,991
Construction in progress	2,475,866	(2,188,734)	7,552,858	-	7,839,990
Subtotal	8,124,857	(2,188,734)	7,552,858	-	13,488,981
Capital assets being depreciated:					
Roads	85,814,624	1,477,381	2,339,227	-	89,631,232
Storm drains	7,713,816	-	-	-	7,713,816
Buildings and improvements	20,285,071	439,674	1,213,212	-	21,937,957
Machinery and equipment	6,952,305	-	376,536	(1,174,272)	6,154,569
Vehicles	7,297,548	-	607,866	(241,049)	7,664,365
Office furnishings and equipment	504,004	-	-	(66,812)	437,192
Land improvements	641,689	271,679	316,506	-	1,229,874
Subtotal	129,209,057	2,188,734	4,853,347	(1,482,133)	134,769,005
Accumulated depreciation:					
Roads	38,835,696	-	2,297,904	-	41,133,600
Storm drains	2,502,819	-	153,893	-	2,656,712
Buildings and improvements	13,350,628	-	787,066	-	14,137,694
Machinery and equipment	6,271,238	-	431,245	(1,174,272)	5,528,211
Vehicles	5,681,104	-	568,248	(228,875)	6,020,477
Office furnishings and equipment	495,240	-	5,455	(66,812)	433,883
Land improvements	6,370	-	2,515	-	8,885
Subtotal	67,143,095	-	4,246,326	(1,469,959)	69,919,462
Net capital assets being depreciated	62,065,962	2,188,734	607,021	(12,174)	64,849,543
Net governmental activities capital assets	<u>\$ 70,190,819</u>	<u>\$ -</u>	<u>\$ 8,159,879</u>	<u>\$ (12,174)</u>	<u>\$ 78,338,524</u>



December 31, 2020

**Note 7 - Capital Assets (Continued)*****Business-type Activities***

	Balance January 1, 2020	Reclassifications	Additions	Disposals	Balance December 31, 2020
Capital assets not being depreciated:					
Land	\$ 8,325,776	\$ -	\$ -	\$ -	\$ 8,325,776
Construction in progress	5,654,524	(1,649,834)	1,006,431	(155,000)	4,856,121
Subtotal	13,980,300	(1,649,834)	1,006,431	(155,000)	13,181,897
Capital assets being depreciated:					
Water and sewer mains	93,391,244	1,649,834	1,715,879	-	96,756,957
Buildings and improvements	10,650,199	-	-	-	10,650,199
Machinery and equipment	3,171,186	-	44,091	(688,390)	2,526,887
Subtotal	107,212,629	1,649,834	1,759,970	(688,390)	109,934,043
Accumulated depreciation:					
Water and sewer mains	32,575,195	-	2,157,527	-	34,732,722
Buildings and improvements	6,875,176	-	392,378	-	7,267,554
Machinery and equipment	3,022,494	-	73,987	(688,390)	2,408,091
Subtotal	42,472,865	-	2,623,892	(688,390)	44,408,367
Net capital assets being depreciated	64,739,764	1,649,834	(863,922)	-	65,525,676
Net business-type activities capital assets	<u>\$ 78,720,064</u>	<u>\$ -</u>	<u>\$ 142,509</u>	<u>\$ (155,000)</u>	<u>\$ 78,707,573</u>

Capital asset activity for the City's component units at December 31, 2020 is as follows:

***Component Units***

	Balance January 1, 2020	Reclassifications	Additions	Disposals	Balance December 31, 2020
Capital assets not being depreciated:					
Land	\$ 8,137,567	\$ -	\$ -	\$ -	\$ 8,137,567
Construction in progress	874,780	(819,716)	185,515	-	240,579
Subtotal	9,012,347	(819,716)	185,515	-	8,378,146
Capital assets being depreciated:					
Roads	36,470,409	-	-	-	36,470,409
Buildings and improvements	26,717,494	819,716	98,750	-	27,635,960
Office furniture and equipment	412,232	-	49,391	-	461,623
Land improvements	8,544,210	-	321,516	-	8,865,726
Subtotal	72,144,345	819,716	469,657	-	73,433,718
Accumulated depreciation:					
Roads	11,894,539	-	959,417	-	12,853,956
Buildings and improvements	9,071,979	-	720,376	-	9,792,355
Office furniture and equipment	318,315	-	27,822	-	346,137
Land improvements	3,369,341	-	346,862	-	3,716,203
Subtotal	24,654,174	-	2,054,477	-	26,708,651
Net capital assets being depreciated	47,490,171	819,716	(1,584,820)	-	46,725,067
Net component units capital assets	<u>\$ 56,502,518</u>	<u>\$ -</u>	<u>\$ (1,399,305)</u>	<u>\$ -</u>	<u>\$ 55,103,213</u>



December 31, 2020

## Note 7 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 168,455
Public safety	360,839
Public works	2,915,773
Community and economic development	61,629
Internal service	739,630
	<u>4,246,326</u>
Total governmental activities	\$ 4,246,326
Business-type activities:	
Water & Sewer Fund	\$ 2,332,388
Fieldstone Golf Club Fund	291,504
	<u>2,623,892</u>
Total business-type activities	\$ 2,623,892
Component unit activities:	
TIFA A	\$ 347,495
TIFA B	882,507
TIFA D	824,475
	<u>2,054,477</u>
Total component unit activities	\$ 2,054,477

### Construction Commitments

The City has various active construction projects ongoing at year end whereby the City has a contractual obligation with a third party for construction and design work. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Auburn Road and Watermain	\$ 269,612	\$ 4,676,000

December 31, 2020

**Note 8 - Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Long-term debt activity for the year ended December 31, 2020 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:							
Direct borrowings and direct placements:							
State Revolving Fund Loan - Storm Water Management Retrofit (1)	2.50%	\$5,000 - \$10,000	\$ 82,658	\$ -	\$ (5,000)	\$ 77,658	\$ 5,000
State Revolving Fund Loan - Storm Water Management Galloway Drain (1)	2.50%	\$45,000 - \$60,000	570,000	-	(45,000)	525,000	45,000
Total direct borrowings and direct placements principal outstanding			652,658	-	(50,000)	602,658	50,000
Other debt:							
Capital Improvement Bonds, Series 2017 (LTGO) (2)	3.00%	\$400,000 - \$550,000	6,045,000	-	(385,000)	5,660,000	400,000
Special Assessment Bonds, Series 2017 (LTGO) (3)	2.0-2.25%	\$165,000 - \$175,000	1,365,000	-	(175,000)	1,190,000	175,000
Total other debt principal outstanding			7,410,000	-	(560,000)	6,850,000	575,000
Unamortized bond premiums			267,246	-	(22,569)	244,677	-
Total bonds payable			8,329,904	-	(632,569)	7,697,335	625,000
Compensated absences			1,672,699	331,407	(230,695)	1,773,411	266,729
Total governmental activities long-term debt			<u>\$ 10,002,603</u>	<u>\$ 331,407</u>	<u>\$ (863,264)</u>	<u>\$ 9,470,746</u>	<u>\$ 891,729</u>

(1) The principal repayment amounts for the Storm Water Management Retrofit and Galloway Drain projects represent 60 percent of the project costs, while 40 percent of the project costs qualified for principal forgiveness from the American Recovery and Reinvestment Act of 2009. Principal payments on both projects began in April 2011, and the loan repayments are amortized over 20 years with an interest rate of 2.5 percent.

(2) In October 2017, the City issued Capital Improvement Bonds to fund a portion of the City's costs of improvements in three Special Assessment Districts (Pacific Drive, N. Atlantic and Continental Drives, and Deepwood Drive) and to fund the construction costs of other identified road, building, and facility improvements completed in 2018. The original issue amount was \$6,865,000. The final loan payment related to issuance is expected to be fiscal year 2032.

(3) In October 2017, the City issued Special Assessment Bonds to fund a portion of the City's upfront costs of improvements in three Special Assessment Districts (Pacific Drive, N. Atlantic and Continental Drives, and Deepwood Drive). The original issue amount was \$1,655,000. The final loan payment related to issuance is expected to be fiscal year 2027. Payments on this debt is expected to be made with special assessment revenue collected from benefiting property owners.

December 31, 2020

**Note 8 - Long-term Debt (Continued)****Business-type Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2010A (4)	2.50%	\$42,150 - \$54,878	\$ 568,780	\$ -	\$ (41,158)	\$ 527,622	\$ 42,150
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2010B (4)			147,443	-	(147,443)	-	-
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2011A Segment 2 (5)	1.5-5.9%	\$48,300 - \$63,318	769,041	-	(47,083)	721,958	48,300
Oakland-Macomb Interceptor Drain - Financing source not finalized by Oakland County for OMID 2013A Segment 3 (6)	2.00%	\$104,833 - \$133,395	1,774,193	-	(102,750)	1,671,443	104,833
State Revolving Fund Loan - Sanitary Sewer Rehabilitation (7)	2.50%	\$60,000 - \$70,000	715,000	-	(60,000)	655,000	60,000
Clinton River Water Resource Recover Facility - Drainage District Drain Bond, Series 2017 (SRF) (8)	2.50%	\$94,909- \$138,050	1,947,872	123,278	(92,556)	1,978,594	94,909
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2019A Refunding Bonds (4)	4.9%-4.9%	\$11,736 - \$16,530	-	149,096	(9,091)	140,005	11,736
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2019B (9)	1.55%	\$58,000 - \$118,298	-	597,805	(253,249)	344,556	118,298
Total direct borrowings and direct placements principal outstanding			5,922,329	870,179	(753,330)	6,039,178	480,226
Compensated absences			78,865	-	22,724	101,589	18,150
Total business-type activities long-term debt			\$ 6,001,194	\$ 870,179	\$ (730,606)	\$ 6,140,767	\$ 498,376

(4) During 2009, the counties of Macomb and Oakland, Michigan jointly established the Oakland-Macomb Interceptor Drain - Drainage District (OMID), an intercounty drainage district, under Chapter 21 of the Drain Code. The OMID was created to acquire, operate, and maintain the Oakland-Macomb Interceptor (OMI); title to the OMI was transferred from the City of Detroit, Michigan to the OMID as part of a settlement agreement with the City of Detroit, Michigan reached in May 2009. The OMID apportioned the responsibility to pay the debt required to finance this project to the participating cities, townships, and villages located in the two counties. The OMID bond debt will be amortized over a 20-year period with an interest rate of 2.5 percent. The OMID 2010B debt has a 45 percent federal interest subsidy, which is reimbursed to the City semiannually. The OMID 2010B bond was refunded during 2020.

(5) During 2011, additional bonds (Series 2011A) were issued through the State's revolving fund loans for Segment 2 of the OMID project. The state revolving fund loan is for a 20-year period with a fixed interest rate of 2.5 percent. The City will have a level debt service payment of approximately \$66,400 for principal and interest for the loan duration. The final loan payment related to this issuance will be in fiscal year 2033.

(6) Beginning in 2012 as part of Oakland-Macomb Interceptor Drain project, Oakland County, Michigan commenced with Segment 3 of the project. The tentative estimated cost of this segment is \$65,140,000. The City's pro rata share of the project is approximately 3.47 percent, which resulted in the City's share of the debt being approximately \$2.26 million. The City will have a level debt service payment of approximately \$138,300 for principal and interest for the loan duration. The final loan payment related to this issuance will be in fiscal year 2034.

(7) The principal repayment amounts for the Sanitary Sewer Rehabilitation represent 60 percent of the total project costs, as 40 percent of the project cost qualified for principal forgiveness from the American Recovery and Reinvestment Act of 2009. The first principal payment on this project was paid in April 2011. The loan repayments are amortized over 20 years with an interest rate of 2.5 percent.

(8) During 2017, the Clinton River Water Resource Recovery Facility Drainage District sold Drain Bonds Series 2017 for the Biosolids Handling and Septage Receiving Facility Project that spans the Oakland County community. This debt reflects the City's 6.124 percent share of this project. The project is in progress at December 31, 2020. The final payment related to this debt is expected in 2038.

December 31, 2020

## Note 8 - Long-term Debt (Continued)

(9) During 2020, as part of the Oakland-Macomb Interceptor Drain project, Oakland County, Michigan and the Great Lakes Water Authority (GLWA) commenced rehabilitation and construction of certain wastewater facilities. This debt reflects the City's 4.9750 percent share of the project. The first principal payment on this project was paid in September 2020. The final payment related to this debt is expected in 2025.

### Component Unit

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements - Michigan Department of Environmental Quality Loan (10)	1.50%	\$47,232-\$54,814	\$ 560,321	\$ -	\$ (54,814)	\$ 505,507	\$ 47,232

(10) In 2016, the Brownfield Redevelopment Authority received a loan from the Michigan Department of Environmental Quality (MDEQ) to fund a redevelopment project. The redevelopment project will be completed by a developer. The Brownfield Redevelopment Authority entered into a loan agreement with the developer for the same amount of the MDEQ loan. The developer will draw down the funds from the Brownfield Redevelopment Authority in the future and will repay the loan through tax increment revenue. The final loan payment for this debt will be in fiscal year 2030.

### Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Governmental Activities					Business-type Activities		
	Direct Borrowings and Direct Placements		Other Debt		Total	Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2021	\$ 50,000	\$ 14,441	\$ 575,000	\$ 186,674	\$ 826,115	\$ 480,226	\$ 13,716	\$ 493,942
2022	55,000	13,129	585,000	171,024	824,153	423,830	126,992	550,822
2023	55,000	11,754	595,000	155,049	816,803	432,488	117,514	550,002
2024	55,000	10,379	605,000	138,749	809,128	441,100	107,842	548,942
2025	57,658	8,971	620,000	122,074	808,703	454,947	97,915	552,862
2026-2030	330,000	20,875	2,785,000	358,499	3,494,374	2,132,339	340,494	2,472,833
2031-2035	-	-	1,085,000	32,775	1,117,775	1,401,669	119,778	1,521,447
2036-2040	-	-	-	-	-	272,579	10,001	282,580
Total	\$ 602,658	\$ 79,549	\$ 6,850,000	\$ 1,164,844	\$ 8,697,051	\$ 6,039,178	\$ 934,252	\$ 6,973,430

Years Ending December 31	Component Unit Activities		
	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2021	\$ 47,232	\$ 7,583	\$ 54,815
2022	47,940	6,874	54,814
2023	48,659	6,155	54,814
2024	49,389	5,425	54,814
2025	50,130	4,684	54,814
2026-2030	262,157	11,914	274,071
2031-2035	-	-	-
2036-2040	-	-	-
Total	\$ 505,507	\$ 42,635	\$ 548,142

December 31, 2020

**Note 8 - Long-term Debt (Continued)****Component Units**

Excluded from the component unit long-term debt are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. As of December 31, 2020, there were five series of Economic Development Corporation bonds outstanding. The aggregate principal amount outstanding could not be determined. However, the bonds' original issue amounts totaled \$16,850,000.

**Note 9 - Interfund Transfers**

The City has made the following long-term advances between funds:

<u>Fund Borrowed From</u>	<u>Fund Loaned To</u>	<u>Amount</u>
TIFA B	Downtown Development Authority	\$ 121,756

TIFA B advanced \$160,000 to the Downtown Development Authority to assist in providing a grant to a developer to address excessive land development costs. The loan will be repaid in annual installments with 3 percent interest in the amount of \$42,498. The loan will be fully repaid at the end of 2023.

Interfund transfers reported in the fund financial statements are composed of the following:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Major and Local Streets Fund	\$ 8,500,000
	Capital Improvement Debt Service Fund	475,675
	Total General Fund	8,975,675
Wayne-Oakland Disposal Fund	Major and Local Streets Fund	185,000
Capital Projects Fund	Special Assessment Debt Service Fund	7,462
	Capital Improvement Debt Service Fund	327,015
	Total Capital Projects Fund	334,477
	Total	\$ 9,495,152

The transfers from the General Fund to the Major and Local Streets Fund were of unrestricted resources necessary to supplement Act 51 funds provided by the State of Michigan for road maintenance. The transfer from the General Fund to the Capital Improvement Debt Service Fund was of unrestricted resources and was necessary for debt service payments. The transfer from the Wayne-Oakland Disposal Fund to the Major and Local Streets Fund was made with unrestricted funds to support additional local street maintenance expenditure. The transfer from the Capital Projects Fund to the Special Assessment Debt Service Fund and the Capital Improvement Debt Service Fund were made due to excess bond proceeds at the completion of the allowable capital projects; the excess bond proceeds are restricted for future debt service payments.

December 31, 2020

## Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. The City is self-insured for prescriptions. The City records prescription charges incurred through the end of the fiscal year. In 2004, the City became self-insured for property damage to city vehicles under \$75,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 10 years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

## Note 11 - Joint Venture

The City is a member of the North Oakland County Water Authority, which provides joint management of the four member communities' water systems. Each of the four member communities appoints one member to the governing body. During the year ended December 31, 2020, the City contributed \$4,324,634 to pay water obligations. Additionally, during 2015, the City deposited \$776,610 with NOCWA to cover two months' worth of expenses in the event the City fails to pay that has been recorded as a restricted asset. There are no financial statements available for the authority for the year ended December 31, 2020.

## Note 12 - Pension Plans

### *Plan Description*

The City of Auburn Hills Pension Board of Trustees (the "Pension Board") administers the City of Auburn Hills Employee Pension Plan, a single-employer defined benefit pension plan that provides pensions to all full-time employees hired prior to 1998. The plan is closed to new employees. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of nine members: the mayor, mayor pro tem, city manager, city clerk, finance director, two public safety members elected by police and fire members of the plan, a public service member elected by public service members of the plan, and a clerical or technical member elected by clerical or technical members of the plan.

The City also established two defined contribution plans for certain employees who meet eligibility requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's first defined contribution plan was established in 1985 as a complementary plan to the defined benefit pension plan. The International City Managers Association (ICMA) administers the plan, and the City Council has authority over plan provisions and contribution requirements. This defined contribution plan is limited to members of the defined benefit pension plan. The plan is closed to employees hired after January 1, 2000. As established by the City Council, the City was required to contribute 4 percent of total salaries for employees who contribute 3 percent. This plan is no longer available to members of the defined benefit pension plan who are active in the AFSCME or administrative employee groups. Further, there are no active IAFF members. Eligible employees are permitted to make contributions to the plan up to applicable Internal Revenue Code limits. At December 31, 2020, there were 13 active employee participants.

December 31, 2020

**Note 12 - Pension Plans (Continued)**

The City established another defined contribution plan in 1998 as an alternative to the defined benefit plan. ICMA administers the plan, and the City Council has authority over plan provisions and contribution requirements. The defined contribution plan is the only plan available to employees hired after January 1, 2000. The City is required to contribute between 9 and 12 percent of total salaries. Employees are permitted to make contributions to the plan up to the applicable Internal Revenue Code limits. At December 31, 2020, there were 191 active employee participants.

In accordance with these defined contribution plan requirements, for both plans, the City contributed \$1,754,549 during the current year and employees contributed \$1,217,177. Employees are fully vested after five years of service in each plan.

**Benefits Provided**

The City of Auburn Hills Employee Pension Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefit terms are established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The benefits are defined as follows:

Unit	Multiplier	Max.	Final Avg. Comp.	Member Contribution	COLA (Noncompound)		
					Percent	Start	Max.
Admin	2.65%	80%	Final 5	6%	2.5%	55	15 years
Police officers	2.80%/1% at 25 years	80%	5 highest consecutive	6%	2.5%	50 (a)	15 years
Police command	2.80%	80%	5 highest consecutive	5%	2.5%	50	15 years
Detectives	2.80%	80%	5 highest consecutive	5%	2.5%	50	15 years
Dispatch	2.65%	90.1%	5 highest consecutive	5%	2.5%	55	15 years
IA fire	2.65%	80%	Highest 3 of final 5	6%	2.5%	55	15 years
PT fire	(b)		N/A	0%	N/A		

(a) Normal retirement is either 25 years of service or age 50 with 15 years of service; an officer with 25 years of service could have normal retirement prior to age 50 and would begin receiving benefit increases each January 1 following one year of retirement.

(b) \$5 per month for each year of service prior to January 1, 1988; \$10 per month for each year of service after January 1, 1988.

**Deferred Retirement - Annual Amount** - Computed as service retirement but based upon service, average final compensation (AFC), and benefit multiplier in effect at termination. Benefits begin at the date retirement would have occurred had the member remained in employment.

**Death after Retirement - Annual Amount** - Surviving spouse receives the excess of member contributions with interest over the total of benefits paid.

**Death in Service - Annual Amount** - Surviving beneficiary receives 100 times the projected monthly benefit.

**Disability - Annual Amount** - With long-term disability - the greater of a member's accrued benefit or 60 percent of the projected benefit, based on AFC at the date of disability and years of service until earliest retirement (payable at age 65). Without long-term disability - the accrued benefit is payable immediately with 10 years of service if age 40.

December 31, 2020

**Note 12 - Pension Plans (Continued)*****Employees Covered by Benefit Terms***

The following employees were covered by the benefit terms:

	City of Auburn Hills Employee Pension Plan
Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	126
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	13
Total employees covered by the plan	147

***Contributions***

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the Pension Board in accordance with the City's collective bargaining units. The system contribution from employees is detailed in the table below. For the year ended December 31, 2020, the City made the actuarially determined contribution of \$1,514,732, plus it contributed \$500,000 into a prefunded pension trust, which is reported in this financial statement as a pension and other postemployment benefit trust fund type.

***Net Pension Liability***

The City has chosen to use December 31, 2020 as its measurement date for the net pension liability. The December 31, 2020 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2019 that has used procedures to roll the information forward to the measurement date.



December 31, 2020

**Note 12 - Pension Plans (Continued)**

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at January 1, 2020</b>	\$ 70,302,419	\$ 55,559,694	\$ 14,742,725
Changes for the year:			
Service cost	341,012	-	341,012
Interest	3,828,935	-	3,828,935
Differences between expected and actual experience	660,370	-	660,370
Changes in assumptions	4,296,374	-	4,296,374
Contributions - Employer	-	2,014,732	(2,014,732)
Contributions - Employee	-	67,512	(67,512)
Net investment income	-	5,951,307	(5,951,307)
Benefit payments, including refunds	(4,104,733)	(4,104,733)	-
Net changes	5,021,958	3,928,818	1,093,140
<b>Balance at December 31, 2020</b>	<u>\$ 75,324,377</u>	<u>\$ 59,488,512</u>	<u>\$ 15,835,865</u>

The plan's fiduciary net position represents 78.98 percent of the total pension liability.

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

For the year ended December 31, 2020, the City recognized pension expense of \$4,219,055, exclusive of the defined contribution plan expenses described above.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,440,984

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

Years Ending December 31	Amount
2021	\$ (1,428,681)
2022	(825,032)
2023	(1,678,864)
2024	(508,407)
Total	<u>\$ (4,440,984)</u>

December 31, 2020

**Note 12 - Pension Plans (Continued)*****Actuarial Assumptions***

The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

- Inflation: 2.25 percent
- Salary increases (including inflation): 3.5 percent
- Investment rate of return (net of investment expense): 6.00 percent
- Mortality rates: Pub-2010 Mortality Table with Generational Projection per MP-2019, with PubS-2010 tables for public safety groups and PubG-2010 tables for all others
- Cost of living adjustments (COLA): 2.5 percent simple payable for 15 years for future retirees. Current retiree COLA depends on date of retirement.

***Discount Rate***

The discount rate used to measure the total pension liability was 5.21 percent in the December 31, 2020 valuation, which was a decrease from the prior year's discount rate which was 5.58 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied only to periods before the crossover, which was projected by the actuary to occur in 2055, after which time the Bond Buyer General Obligation 20-Year Bond Municipal Bond Index rate of 2.12 percent was applied to remaining projected benefits.

***Investment Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return as of December 31, 2020 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic large-cap equity	25.00 %	4.90 %
Domestic small-/mid-cap equity	10.00	5.40
International equity	15.00	5.32
Domestic bonds	30.00	1.40
Real estate	10.00	4.43
Alternative investments	10.00	3.55

December 31, 2020

**Note 12 - Pension Plans (Continued)*****Rate of Return***

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 10.90 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

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

The following presents the net pension liability of the City, calculated using the discount rate of 5.21 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.21 percent) or 1 percentage point higher (6.21 percent) than the current rate:

	1 Percentage Point Decrease (4.21%)	Current Discount Rate (5.21%)	1 Percentage Point Increase (6.21%)
Net pension liability of the City of Auburn Hills Employee Pension Plan	\$ 25,463,707	\$ 15,835,865	\$ 7,884,998

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

***Assumption Changes***

- The single discount rate decreased from 5.58 to 5.21 percent for the December 31, 2020 valuation.
- Mortality rates were based on the RP-2014 with Generational Mortality Scale MP-2018 for December 31, 2019. For the December 31, 2020 valuation, the Pub-2010 Mortality Table with Generational Projection per MP-2019, with PubS-2010 for public safety groups and PubG-2010 for all others
- The expected long-term rate of return decreased from 6.25 to 6.00 percent for the December 31, 2020 valuation.

**Note 13 - Other Postemployment Benefit Plan*****Plan Description***

The Auburn Hills Retiree Healthcare Board provides postemployment benefits other than pensions (OPEB) to eligible former City Council members and retired employees and eligible dependents, as well as to certain retirees and eligible dependents of the Auburn Hills Public Library. The benefits are provided through the Auburn Hills Retiree Health Care Plan, a cost-sharing defined OPEB plan administered by the Auburn Hills Retiree Health Care Plan Board. There are two participating employers in the plan, the City of Auburn Hills, Michigan and the Auburn Hills Public Library (the "Library").

The financial statements of the OPEB plan are included in these financial statements as a pension and other postemployment benefit funds (a fiduciary fund).

December 31, 2020

**Note 13 - Other Postemployment Benefit Plan (Continued)**

Management of the plan is vested in the Retiree Healthcare Board, which consists of nine members: the mayor, mayor pro tem, city manager, city clerk, finance director, and four members elected by their constituents (two public safety members, one public service member, and one clerical or technical member).

**Benefits Provided**

The Auburn Hills Retiree Health Care Plan provides health care, dental, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and generally the full cost of the benefits is covered by the plan. The City is self-insured for prescriptions, and the full cost of benefits is covered by the plan. As of January 1, 2012, the plan was closed to new entrants.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	Auburn Hills Retiree Health Care Plan
Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	112
Active plan members	68
Total plan members	180

**Contributions**

The City Code grants the authority to establish and amend the contribution requirements of the City and employees to the board. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the year ended December 31, 2020, the City paid postemployment health care premiums of \$1,339,376, plus it contributed \$2,037,444 into a prefunded retiree health care fund, which is reported in this financial statements as a pension and other employee benefit trust fund type. Employees are not required to contribute to the plan.

**Net OPEB Liability**

The net OPEB liability of \$13,894,110 has been allocated separately to the City and to the Library. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 75, and, therefore, the City has not recorded the Library's proportionate share of the net OPEB liability. The City's proportionate share of the net OPEB liability is \$13,464,503 at December 31, 2020. At December 31, 2020, the City's proportionate share was 96.9 percent, based on the City's number of plan members as a percentage of the plan's total members. At December 31, 2019, the prior measurement date, the City's proportionate share was 97.4 percent, or a 0.5 percent change.

The City has chosen to use the December 31, 2020 measurement date as its measurement date for the net OPEB liability. The December 31, 2020 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2020 measurement date. The December 31, 2020 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019, which used update procedures to roll forward the liability to December 31, 2020.

December 31, 2020

**Note 13 - Other Postemployment Benefit Plan (Continued)**

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at December 31, 2019</b>	\$ 39,296,899	\$ 23,043,217	\$ 16,253,682
Changes for the year:			
Service cost	635,842	-	635,842
Interest	2,453,325	-	2,453,325
Differences between expected and actual experience	(1,479,431)	-	(1,479,431)
Changes in assumptions	1,850,059	-	1,850,059
Contributions - Employer	-	3,376,820	(3,376,820)
Net investment income	-	2,422,547	(2,422,547)
Benefit payments, including refunds	(1,339,376)	(1,339,376)	-
Other	(20,000)	-	(20,000)
Net changes	2,100,419	4,459,991	(2,359,572)
<b>Balance at December 31, 2020</b>	<u>\$ 41,397,318</u>	<u>\$ 27,503,208</u>	<u>\$ 13,894,110</u>

The plan's fiduciary net position represents 66.4 percent of the total OPEB liability.

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$1,892,130.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 33,466	\$ 985,660
Changes in assumptions	1,851,734	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,068,230
Total	<u>\$ 1,885,200</u>	<u>\$ 2,053,890</u>

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

Years Ending December 31	Amount
2021	\$ 355,851
2022	159,833
2023	(506,320)
2024	(178,054)
Total	<u>\$ (168,690)</u>

December 31, 2020

**Note 13 - Other Postemployment Benefit Plan (Continued)*****Actuarial Assumptions***

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using an investment rate of return (net of investment expenses) of 6.00 percent; a health care cost trend rate of 5.3 percent for 2020, decreasing to an ultimate rate of 4.0 percent over 55 years for pre-Medicare participants, and a health care cost trend rate of 5.6 percent for 2020, decreasing to an ultimate rate of 4.3 percent over 55 years for post-Medicare participants; and mortality rates based on the Pub-2010 with Generational Projection per MP-2019.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.00 percent and is based off of the assumption that the benefits paid each year will be funded entirely from pay-as-you-go contributions provided by the City and the Library.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Investment Rate of Return***

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 adding expected inflation. Best estimates of geometric real rates of return as of the December 31, 2020 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic bonds	30.00 %	1.40 %
Domestic large-cap equity	20.00	4.90
Domestic small-/mid-cap equity	15.00	5.40
International equity	15.00	5.32
Real estate	10.00	4.43
Hedge funds	10.00	3.55

***Rate of Return***

For the year ended December 31, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 10.19 percent. The money-weighted rate of return expresses investment performance, net of investment, adjusted for the changing amounts actually invested.

December 31, 2020

**Note 13 - Other Postemployment Benefit Plan (Continued)*****Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the plan and the City's proportionate share, calculated using the discount rate of 6.00 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 Percent)	Current Discount Rate (6.00 Percent)	1 Percentage Point Increase (7.00 Percent)
Net OPEB liability of the Auburn Hills Retiree Health Care Plan	\$ 19,894,152	\$ 13,894,110	\$ 9,027,163
City's proportionate share of the net OPEB liability of the Auburn Hills Retiree Health Care Plan	19,279,023	13,464,503	8,748,042

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the plan and the City's proportionate share, calculated using the health care cost trend rates described above, as well as what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the Auburn Hills Retiree Health Care Plan	\$ 8,447,954	\$ 13,894,110	\$ 20,671,189
City's proportionate share of the net OPEB liability of the Auburn Hills Retiree Health Care Plan	8,186,743	13,464,503	20,032,034

***OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

***Assumption Changes***

- The single discount rate decreased from 6.25 to 6.0 percent for the December 31, 2020.
- Mortality rates were based on the Pub-2010 with Generational Projection per MP-2019 for December 31, 2020. For December 31, 2020, the RP-2014 with Generational Mortality Scale MP- 2018 table was used.
- The expected long-term rate of return decreased from 6.25 to 6.00 percent for December 31, 2020.

December 31, 2020

**Note 13 - Other Postemployment Benefit Plan (Continued)**

- The health care cost trend rate was updated from 8.2 percent for 2019, decreasing to an ultimate rate of 4.1 percent over 72 years for pre-Medicare participants and a health care cost trend rate of 8.5 percent for 2019, decreasing to an ultimate rate of 4.3 percent over 68 years for post-Medicare participants. For December 31, 2020, the health care cost trend rate was updated to 5.3 percent for 2020, decreasing to an ultimate rate of 4.0 percent over 55 years for pre-Medicare participants and a health care cost trend rate of 5.6 percent for 2020, decreasing to an ultimate rate of 4.3 percent over 55 years for post-Medicare participants.

**Note 14 - Other Postemployment Benefits - Health Savings Plan**

The City provides retiree health care benefits to employees ineligible for the defined benefit retiree health care plan through the Retiree Health Savings (RHS) Plan. ICMA Retirement Corporation administers the plan, and the City Council has authority over plan provisions and contribution requirements. The benefits are provided under collective bargaining agreements. The City is required to contribute 3 percent of total salaries, while employees must contribute either 3 percent of their salaries for the administrative group or 5 percent for the participants in the police command and detective groups. AFSCME, Patrol, and IAFF groups waived this option and instead receive a 3 percent contribution into a 457 plan, with no required employee match, and patrol units, not to exceed amounts limited by statute. All employee units are vested after 10 years, with the exception of the fire unit, which is vested after five years with the City.

During the year ended December 31, 2020, the City made contributions of \$68,130, and the plan members contributed \$79,622 to the plan.

**Note 15 - Pension and Other Employee Benefit Trust Funds**

The following are condensed financial statements for the individual pension plans and postemployment health care plans:

	Pension Trust Fund	Retiree Health Care Trust Fund	Total
<b>Statement of Net Position</b>			
Cash and cash equivalents	\$ 1,103,379	\$ 250,411	\$ 1,353,790
Investments	58,372,451	27,246,905	85,619,356
Other assets	12,682	5,892	18,574
Net position	<u>\$ 59,488,512</u>	<u>\$ 27,503,208</u>	<u>\$ 86,991,720</u>
<b>Statement of Changes in Net Position</b>			
Investment income	\$ 6,046,557	\$ 2,448,866	\$ 8,495,423
Contributions	2,082,244	3,376,820	5,459,064
Benefit payments/Medical expenses	(4,104,733)	(1,339,376)	(5,444,109)
Investment-related expenses	(95,250)	(26,319)	(121,569)
Net change in net position	<u>\$ 3,928,818</u>	<u>\$ 4,459,991</u>	<u>\$ 8,388,809</u>



December 31, 2020

## Note 16 - Tax Abatements

The City offers property tax incentives to promote economic activity, increase and retain employment, and provide incentives for investment in property that increase the tax base of the City. The more significant property tax abatements, as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, that occurred during fiscal year 2020 are as follows:

The City uses the New Facility Industrial Facilities Exemption Certificate (IFEC) to enter into agreements with local businesses for industrial real property and land improvements, other than a replacement facility to be built or installed in a plant rehabilitation district or industrial development district by an existing business or new business, as provided in PA 198 of 1974. The minimum investment in a facility shall have an estimated construction value of \$2,000,000. Under the program, the City grants reductions of 50 percent of the property tax bill for real property for up to 12 years. As a condition of receiving the IFEC pursuant to city policy, the business agrees to operate the facility for which the certificate is granted for the term of the certificate plus an additional term after the date of expiration of the certificate equal to one year of business residency per abated year. If a business vacates or fails to operate the facility for which the certificate is granted, then it shall be liable for repayment of any property tax savings benefiting the business due to the existence of the certificate, beginning with the initial effective year of the certificate. For the fiscal year ended December 31, 2020, the City abated approximately \$677,000 of taxes under this program.

The City uses the Replacement or Rehabilitation of Obsolete Industrial Property IFEC to enter into agreements with a new or existing business for real property that meets the definition of obsolete property, as contained in the Plant Rehabilitation and Industrial Development Districts PA 198 of 1974, and is included within a plant rehabilitation district and will require restoration or replacement. The planned investment must correct functional obsolescence, and the minimum investment in a facility shall have an estimated construction value of \$2,000,000. Under this program, property tax values may be frozen for up to 12 years. As a condition of receiving the IFEC pursuant to city policy, the business agrees to operate the facility for which the certificate is granted for the term of the certificate plus an additional term after the date of expiration of the certificate equal to one year of business residency per abated year. If a business vacates or fails to operate the facility for which the certificate is granted, then it shall be liable for repayment of any property tax savings benefiting the business due to the existence of the certificate, beginning with the initial effective year of the certificate. For the fiscal year ended December 31, 2020, the City abated approximately \$22,000 of taxes under this program.

The City has a payment in lieu of taxes agreement with a business that provides housing for elderly citizens of low and moderate income, which is federally aided or statute authority aided in accordance with the State Housing Development Act of 1966, as provided in PA 346 of 1966. Under this program, the property pays 6 percent of rental income to the City in lieu of taxes. The tax-exempt status of the property shall be rescinded when the authority no longer has an interest in the property. For the fiscal year ended December 31, 2020, the City abated approximately \$38,000 of taxes under this program.

Finally, the Brownfield Redevelopment Authority, a discretely presented component unit, uses brownfield redevelopment agreements under PA 381 of 1996 to capture property taxes within the brownfield area and then uses those captures to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the City's tax revenue is reduced as this revenue is captured by the Brownfield Redevelopment Authority. For the fiscal year ended December 31, 2020, the Brownfield Redevelopment Authority captured approximately \$100,000 of city taxes, in addition to captures from other taxing jurisdictions. Additionally, this captured brownfield revenue must, by agreement, be used in part to reimburse developers. Due to the restricted nature of these agreements, the Brownfield Redevelopment Authority essentially must pass on related tax dollars to the developers and, for the purpose of this pronouncement, reimbursed approximately \$467,000 to developers during the year.

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes	\$ 18,061,375	\$ 18,135,724	\$ 18,056,312	\$ (79,412)
Special assessments	345,288	330,972	989,012	658,040
Intergovernmental	3,459,685	5,126,369	6,034,618	908,249
Charges for services:				
Construction code fees	1,461,800	1,026,500	1,214,856	188,356
Charges to other funds	2,966,173	3,298,421	3,298,421	-
User fees	603,856	408,020	381,168	(26,852)
Service charge	1,212,000	1,044,500	960,852	(83,648)
Fines and forfeitures	321,760	321,760	373,100	51,340
Licenses and permits	545,450	545,950	458,778	(87,172)
Investment income	858,715	807,561	694,302	(113,259)
Other revenue:				
Local donations	48,150	64,000	108,830	44,830
Other miscellaneous income	347,545	360,112	347,396	(12,716)
<b>Total revenue</b>	<b>30,231,797</b>	<b>31,469,889</b>	<b>32,917,645</b>	<b>1,447,756</b>
<b>Expenditures</b>				
Current services:				
General government:				
City Council	136,868	135,891	116,411	19,480
City manager	1,047,999	1,040,728	985,987	54,741
Information technology/data processing	563,312	623,422	422,134	201,288
Treasurer	677,151	680,136	657,185	22,951
Assessing	571,040	538,871	532,090	6,781
Clerk	322,534	337,162	325,464	11,698
Buildings and grounds	2,842,393	2,963,138	2,701,458	261,680
Human resources	303,892	305,437	267,575	37,862
Pension board	86,115	86,115	76,059	10,056
Parks and grounds	1,911,342	1,726,729	1,518,492	208,237
Capital improvements	10,450,875	11,154,202	10,272,722	881,480
General administration	3,532,349	3,854,630	3,839,841	14,789
Public safety:				
Police/Sheriff	7,677,034	7,618,876	7,518,083	100,793
Fire suppression	3,932,067	4,071,651	3,850,951	220,700
Fire prevention	347,353	349,459	329,079	20,380
Police administration	1,428,540	1,575,836	1,507,344	68,492
Fire administration	565,375	534,380	514,841	19,539
Building services	1,215,042	979,179	1,019,843	(40,664)
Public works:				
Stormwater drainage	152,639	431,828	434,887	(3,059)
DPW management services	686,206	685,115	660,595	24,520
Health, welfare, and community development:				
Community development administration	256,540	244,972	240,955	4,017
Senior citizens	486,601	457,933	380,165	77,768
SMART Grant	61,989	63,638	60,590	3,048
Recreation and culture - Recreation	610,503	402,592	380,757	21,835
Debt service	65,691	65,691	65,691	-
<b>Total expenditures</b>	<b>39,931,450</b>	<b>40,927,611</b>	<b>38,679,199</b>	<b>2,248,412</b>
<b>Excess of Expenditures Over Revenue</b>	<b>(9,699,653)</b>	<b>(9,457,722)</b>	<b>(5,761,554)</b>	<b>3,696,168</b>
<b>Other Financing Sources - Transfers in</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(9,649,653)</b>	<b>(9,457,722)</b>	<b>(5,761,554)</b>	<b>3,696,168</b>
<b>Fund Balance - Beginning of year</b>	<b>32,793,016</b>	<b>32,793,016</b>	<b>32,793,016</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 23,143,363</b>	<b>\$ 23,335,294</b>	<b>\$ 27,031,462</b>	<b>\$ 3,696,168</b>

## City of Auburn Hills, Michigan

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major and Local Streets Fund

Year Ended December 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental:				
State sources:				
Act 51 gas and weight tax	\$ 2,526,024	\$ 2,299,697	\$ 2,396,406	\$ 96,709
State grants	1,390,000	300,000	300,000	-
Local grants	-	88,994	88,994	-
Investment income	-	1,004	1,004	-
Other revenue - other miscellaneous income	738,000	738,221	62,466	(675,755)
Total revenue	4,654,024	3,427,916	2,848,870	(579,046)
<b>Expenditures - Current - Public works</b>	14,219,660	13,329,275	10,463,596	2,865,679
<b>Excess of Expenditures Over Revenue</b>	(9,565,636)	(9,901,359)	(7,614,726)	2,286,633
<b>Other Financing Sources - Transfers in</b>	9,575,000	10,035,000	8,685,000	(1,350,000)
<b>Net Change in Fund Balance</b>	9,364	133,641	1,070,274	936,633
<b>Fund Balance - Beginning of year</b>	810,369	810,369	810,369	-
<b>Fund Balance - End of year</b>	<b>\$ 819,733</b>	<b>\$ 944,010</b>	<b>\$ 1,880,643</b>	<b>\$ 936,633</b>

Required Supplemental Information  
Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Seven Fiscal Years*						
	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 341,012	\$ 443,110	\$ 624,297	\$ 591,358	\$ 842,510	\$ 809,483	\$ 381,691
Interest	3,828,935	3,840,887	3,873,213	3,664,089	3,459,438	3,369,628	3,509,763
Differences between expected and actual experience	660,370	1,082,585	-	290,536	(1,807,601)	489,295	72,377
Changes in assumptions	4,296,374	(1,394,259)	(1,437,482)	5,467,388	(9,027,540)	(578,372)	1,533,771
Benefit payments, including refunds	(4,104,733)	(3,821,541)	(3,593,596)	(3,762,724)	(3,189,841)	(3,056,599)	(2,661,802)
<b>Net Change in Total Pension Liability</b>	5,021,958	150,782	(533,568)	6,250,647	(9,723,034)	1,033,435	2,835,800
<b>Total Pension Liability - Beginning of year</b>	70,302,419	70,151,637	70,685,205	64,434,558	74,157,592	73,124,157	70,288,357
<b>Total Pension Liability - End of year</b>	<b>\$ 75,324,377</b>	<b>\$ 70,302,419</b>	<b>\$ 70,151,637</b>	<b>\$ 70,685,205</b>	<b>\$ 64,434,558</b>	<b>\$ 74,157,592</b>	<b>\$ 73,124,157</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 2,014,732	\$ 1,702,433	\$ 765,611	\$ 1,034,387	\$ 1,093,400	\$ 476,733	\$ 472,439
Contributions - Member	67,512	81,344	115,417	106,629	108,915	126,708	148,282
Net investment income (loss)	5,951,307	8,950,504	(933,112)	6,181,445	2,851,238	1,630,824	3,514,376
Administrative expenses	-	(73,524)	-	-	-	-	-
Benefit payments, including refunds	(4,104,733)	(3,821,541)	(3,593,596)	(3,762,724)	(3,189,841)	(3,056,599)	(2,661,802)
<b>Net Change in Plan Fiduciary Net Position</b>	3,928,818	6,839,216	(3,645,680)	3,559,737	863,712	(822,334)	1,473,295
<b>Plan Fiduciary Net Position - Beginning of year</b>	55,559,694	48,720,478	52,366,158	48,806,421	47,942,709	48,765,043	47,291,748
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 59,488,512</b>	<b>\$ 55,559,694</b>	<b>\$ 48,720,478</b>	<b>\$ 52,366,158</b>	<b>\$ 48,806,421</b>	<b>\$ 47,942,709</b>	<b>\$ 48,765,043</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 15,835,865</b>	<b>\$ 14,742,725</b>	<b>\$ 21,431,159</b>	<b>\$ 18,319,047</b>	<b>\$ 15,628,137</b>	<b>\$ 26,214,883</b>	<b>\$ 24,359,114</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	78.98 %	79.03 %	69.45 %	74.08 %	75.75 %	64.65 %	66.69 %
<b>Covered Payroll</b>	\$ 1,178,201	\$ 1,446,223	\$ 1,669,155	\$ 1,787,161	\$ 2,039,201	\$ 2,250,657	\$ 2,124,477
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	1,344.07 %	1,019.40 %	1,283.95 %	1,025.04 %	766.39 %	1,164.77 %	1,146.59 %

\*10 years of data is required; however, only seven years of information is presented, as additional information is not available.

Required Supplemental Information  
Schedule of Pension Contributions

Last Ten Fiscal Years  
Years Ended December 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,514,732	\$ 1,230,563	\$ 765,611	\$ 1,034,387	\$ 1,093,400	\$ 474,821	\$ 422,149	\$ 675,872	\$ 752,445	\$ 795,296
Contributions in relation to the actuarially determined contribution	2,014,732	1,730,563	765,611	1,034,387	1,093,400	476,733	472,439	677,224	821,670	1,095,918
<b>Contribution Excess</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,912</b>	<b>\$ 50,290</b>	<b>\$ 1,352</b>	<b>\$ 69,225</b>	<b>\$ 300,622</b>
<b>Covered Payroll</b>	<b>\$ 1,178,201</b>	<b>\$ 1,446,223</b>	<b>\$ 1,669,155</b>	<b>\$ 1,787,161</b>	<b>\$ 2,039,201</b>	<b>\$ 2,250,657</b>	<b>\$ 2,124,477</b>	<b>\$ 2,823,161</b>	<b>\$ 3,213,855</b>	<b>\$ 3,306,696</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>171.00 %</b>	<b>119.66 %</b>	<b>45.87 %</b>	<b>57.88 %</b>	<b>53.62 %</b>	<b>21.18 %</b>	<b>22.24 %</b>	<b>23.99 %</b>	<b>25.57 %</b>	<b>33.14 %</b>

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, the year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	Remaining working lifetime
Asset valuation method	Five-year smoothing
Inflation	2.25 percent
Salary increase	3.50 percent
Investment rate of return	6.25 percent, net of pension plan investment expense
Mortality	Pub-2010 Mortality Table with Generational Projection per scale MP-2019, with PubS-2010 tables for public safety groups and PubG-2010 tables for all others
Other information	The discount rate was reduced from 6.5 percent to 6.25 percent to align with the expected return on assets supported by the investment policy

## City of Auburn Hills, Michigan

### Required Supplemental Information Schedule of Pension Investment Returns

	Last Seven Fiscal Years*						
	Years Ended December 31						
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	10.90 %	18.96 %	(1.83)%	16.92 %	6.30 %	3.90 %	7.60 %

\*10 years of data is required; however, only seven years of information is presented, as additional information is not available.

Required Supplemental Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Four Fiscal Years*			
	2020	2019	2018**	2017
<b>Total OPEB Liability</b>				
Service cost	\$ 635,842	\$ 799,084	\$ 778,931	\$ 1,012,637
Interest	2,453,325	2,351,538	2,252,089	2,652,607
Differences between expected and actual experience	(1,479,431)	77,702	(781,920)	(781,920)
Changes in assumptions	1,850,059	1,355,786	180,873	600,606
Benefit payments, including refunds	(1,339,376)	(1,310,654)	(1,354,238)	(1,304,387)
Other	(20,000)	-	-	-
<b>Net Change in Total OPEB Liability</b>	<b>2,100,419</b>	<b>3,273,456</b>	<b>1,075,735</b>	<b>2,179,543</b>
<b>Total OPEB Liability - Beginning of year</b>	<b>39,296,899</b>	<b>36,023,443</b>	<b>34,165,788</b>	<b>39,915,088</b>
<b>Total OPEB Liability - End of year</b>	<b>\$ 41,397,318</b>	<b>\$ 39,296,899</b>	<b>\$ 35,241,523</b>	<b>\$ 42,094,631</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 3,376,820	\$ 2,810,654	\$ 2,354,238	\$ 1,604,387
Net investment income (loss)	2,422,547	3,059,696	(576,455)	1,866,867
Benefit payments, including refunds	(1,339,376)	(1,310,654)	(1,354,238)	(1,304,387)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>4,459,991</b>	<b>4,559,696</b>	<b>423,545</b>	<b>2,166,867</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>23,043,217</b>	<b>18,483,521</b>	<b>18,059,976</b>	<b>15,893,109</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 27,503,208</b>	<b>\$ 23,043,217</b>	<b>\$ 18,483,521</b>	<b>\$ 18,059,976</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 13,894,110</b>	<b>\$ 16,253,682</b>	<b>\$ 16,758,002</b>	<b>\$ 24,034,655</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>66.44 %</b>	<b>58.64 %</b>	<b>52.45 %</b>	<b>42.90 %</b>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

\*10 years of data is required; however, only four years of information is presented, as additional information is not available.

\*\*The total OPEB liability as of December 31, 2017 was restated to reflect an updated claims curve methodology.



Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended December 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,754,928	\$ 1,897,955	\$ 2,233,562	\$ 1,457,864	\$ 1,526,848	\$ 1,421,536	\$ 1,179,856	\$ 1,039,846	\$ 1,081,247	\$ 1,065,670
Contributions in relation to the actuarially determined contribution	3,376,820	2,810,654	2,354,238	1,604,387	1,287,504	1,396,382	1,570,268	966,251	1,039,766	1,226,681
<b>Contribution Excess (Deficiency)</b>	<b>\$ 1,621,892</b>	<b>\$ 912,699</b>	<b>\$ 120,676</b>	<b>\$ 146,523</b>	<b>\$ (239,344)</b>	<b>\$ (25,154)</b>	<b>\$ 390,412</b>	<b>\$ (73,595)</b>	<b>\$ (41,481)</b>	<b>\$ 161,011</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, the year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	29 years
Asset valuation method	5-year smoothing
Inflation	2.25 percent
Health care cost trend rates	Pre-Medicare 5.3 percent graded down to 4.0 percent over 55 years; post-Medicare 5.6 percent graded down to 4.3 percent over 55 years
Salary increase	3.50 percent
Investment rate of return	6.25 percent
Mortality	Pub-2010 with Generational Projection per MP-2019

The medical cost inflation trend used in this valuation was derived from the Getzen Model established by the Society of Actuaries for developing long-term medical cost trends. This assumption was revised to an initial inflation of 5.3 percent grading down to an ultimate inflation rate of 4.0 percent after 55 years for pre-Medicare and an inflation of 5.6 percent grading down to an ultimate inflation rate of 4.3 percent after 55 years for post-Medicare

Other information The discount rate was reduced from 6.50 percent to 6.25 percent to align with the expected return on assets supported by the investment policy.

## City of Auburn Hills, Michigan

### Required Supplemental Information Schedule of the City's Proportionate Share of the Net OPEB Liability Auburn Hills Retiree Health Care Plan

	Last Four Fiscal Years			
	Plan Years Ended December 31			
	2020	2019	2018	2017
City's proportion of the net OPEB liability	96.90799 %	97.43084 %	97.34332 %	98.92754 %
City's proportionate share of the net OPEB liability	\$ 13,464,503	\$ 15,816,612	\$ 17,073,942	\$ 18,319,047
City's covered-employee payroll	\$ 5,900,336	\$ 6,394,237	\$ 6,747,847	\$ 7,173,993
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	228.20 %	247.36 %	253.03 %	255.35 %
Plan fiduciary net position as a percentage of total OPEB liability	66.44 %	58.67 %	51.31 %	52.86 %

## City of Auburn Hills, Michigan

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### Required Supplemental Information Schedule of OPEB Investment Returns

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	Last Four Years*			
	Years Ended December 31			
	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	10.19 %	16.07 %	(3.15)%	5.89 %

\*10 years of data is required; however, only four years of information is presented, as additional information is not available.

December 31, 2020

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first Monday in August, city departments, in conjunction with the finance office, prepare and submit their proposed operating budgets for the year beginning on January 1 to the city manager.
2. The city manager compiles and reviews such budget requests and then prepares recommendations and submits them to the City Council on or before September 1 of each year.
3. A public hearing is conducted to obtain taxpayers' comments.
4. No later than the first Monday in November, the budget is legally enacted through council passage for the budget resolutions.
5. After the budget is adopted, any revisions that alter total expenditure of a department or fund must be approved by the City Council.

The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations) for the General Fund and the fund total level for all other funds.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the General Fund budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 32,917,645	\$ 29,703,524
Operating transfers budgeted as revenue and expenditures	-	8,975,675
Amounts per budget statement	\$ 32,917,645	\$ 38,679,199

**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the City's General Fund incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
Building services	\$ 979,179	\$ 1,019,843	\$ (40,664)
Stormwater drainage	431,828	434,887	(3,059)

**Pension Information**

**Changes in Assumptions**

1. The long-term assumed rate of return was 6.66 percent in 2016 and prior years, 6.54 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, and 6.00 percent in 2020.

December 31, 2020

2. The mortality tables have been updated annually:

2016 and prior years: RP-2014 Healthy Annuitant Mortality table

2017: RP-2014 with Generational Mortality Scale MP-2016

2018: RP-2014 with Generational Mortality Scale MP-2017

2019: RP-2014 with Generational Mortality Scale MP-2018

2020: Pub-2010 Mortality Table with Generational Projection per scale MP-2019, with PubS-2010 tables for public safety and PubG-2010 tables for all others

3. The single discount rate was 5.83 percent in 2016 and prior years, 5.57 percent in 2017, 5.59 percent in 2018, 5.58 percent in 2019, and 5.21 percent in 2020.

***OPEB Information***

**Changes in Assumptions**

1. The long-term assumed rate of return was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, and 6.00 percent in 2020

2. The mortality tables have been updated annually:

2017: RP-2014 with Generational Mortality Scale MP-2016

2018: RP-2014 with Generational Mortality Scale MP-2017

2019: RP-2014 with Generational Mortality Scale MP-2018

2020: Pub-2010 with Generational Projection per MP-2019

3. The single discount rate was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, and 6.00 percent in 2020

4. Health care cost trend rates have been updated as follows:

2019: The health care cost trend rate was 8.2 percent for 2019, decreasing to an ultimate rate of 4.1 percent over 72 years for pre-Medicare participants, and a health care cost trend rate of 8.5 percent for 2019, decreasing to an ultimate rate of 4.3 percent over 68 years for post-Medicare participants.

2020: The health care cost trend rate was 5.3 percent for 2020, decreasing to an ultimate rate of 4.0 percent over 55 years for pre-Medicare participants, and a health care cost trend rate of 5.6 percent for 2020, decreasing to an ultimate rate of 4.3 percent over 55 years for post-Medicare participants.

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## Other Supplemental Information

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## City of Auburn Hills, Michigan

	Nonmajor Special Revenue Funds				
	Metro Act	Wayne-Oakland Disposal	Tree Ordinance	State and Federal Drug Forfeiture	CDBG
<b>Assets</b>					
Cash and investments	\$ 114,474	\$ 645,904	\$ 793,920	\$ 52,727	\$ 17,820
Receivables:					
Special assessments receivable	-	-	-	-	-
Due from other governments	-	-	-	-	16,569
Total assets	<b>\$ 114,474</b>	<b>\$ 645,904</b>	<b>\$ 793,920</b>	<b>\$ 52,727</b>	<b>\$ 34,389</b>
<b>Liabilities</b>					
Accounts payable	\$ 11,842	\$ 1,229	\$ 89	\$ 4,988	\$ 11,865
Refundable deposits and bonds	-	-	97,450	-	-
Total liabilities	11,842	1,229	97,539	4,988	11,865
<b>Deferred Inflows of Resources - Unavailable revenue</b>	-	-	-	-	11,865
Total liabilities and deferred inflows of resources	11,842	1,229	97,539	4,988	23,730
<b>Fund Balances</b>					
Restricted:					
Police grants and forfeitures	-	-	-	47,739	-
Debt service	-	-	-	-	-
Metro Act	102,632	-	-	-	-
Tree ordinance	-	-	696,381	-	-
Community development block grant	-	-	-	-	10,659
Committed	-	644,675	-	-	-
Total fund balances	102,632	644,675	696,381	47,739	10,659
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 114,474</b>	<b>\$ 645,904</b>	<b>\$ 793,920</b>	<b>\$ 52,727</b>	<b>\$ 34,389</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

December 31, 2020

Debt Service Funds		Capital Project Fund	
Special Assessment Debt Service	Capital Improvement Debt Service	Capital Projects	Total
\$ 299,523	\$ 242,178	\$ -	\$ 2,166,546
937,663	-	-	937,663
-	-	-	16,569
<b>\$ 1,237,186</b>	<b>\$ 242,178</b>	<b>\$ -</b>	<b>\$ 3,120,778</b>
\$ -	\$ -	\$ -	\$ 30,013
-	-	-	97,450
-	-	-	127,463
916,034	-	-	927,899
916,034	-	-	1,055,362
-	-	-	47,739
321,152	242,178	-	563,330
-	-	-	102,632
-	-	-	696,381
-	-	-	10,659
-	-	-	644,675
321,152	242,178	-	2,065,416
<b>\$ 1,237,186</b>	<b>\$ 242,178</b>	<b>\$ -</b>	<b>\$ 3,120,778</b>



## City of Auburn Hills, Michigan

	Special Revenue Funds				
	Metro Act	Wayne-Oakland Disposal	Tree Ordinance	State and Federal Drug Forfeiture	CDBG
<b>Revenue</b>					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	-	-	-	-	17,899
State sources - State-shared revenue	80,465	-	-	-	-
Charges for services	-	318,002	250	-	-
Fines and forfeitures	-	-	-	30,197	-
Investment income	2,676	5,646	16,186	114	11
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>83,141</b>	<b>323,648</b>	<b>16,436</b>	<b>30,311</b>	<b>17,910</b>
<b>Expenditures</b>					
Current services:					
General government	-	-	-	-	-
Public safety	-	-	-	89,966	-
Public works	185,033	38,557	21,618	-	-
Health, welfare, and community development	-	-	-	-	29,643
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>185,033</b>	<b>38,557</b>	<b>21,618</b>	<b>89,966</b>	<b>29,643</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(101,892)</b>	<b>285,091</b>	<b>(5,182)</b>	<b>(59,655)</b>	<b>(11,733)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(185,000)	-	-	-
<b>Total other financing (uses) sources</b>	<b>-</b>	<b>(185,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(101,892)</b>	<b>100,091</b>	<b>(5,182)</b>	<b>(59,655)</b>	<b>(11,733)</b>
<b>Fund Balances - Beginning of year</b>	<b>204,524</b>	<b>544,584</b>	<b>701,563</b>	<b>107,394</b>	<b>22,392</b>
<b>Fund Balances - End of year</b>	<b>\$ 102,632</b>	<b>\$ 644,675</b>	<b>\$ 696,381</b>	<b>\$ 47,739</b>	<b>\$ 10,659</b>

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended December 31, 2020

Debt Service Funds		Capital Project Fund	Total
Special Assessment Debt Service	Capital Improvement Debt Service	Capital Projects	
\$ 247,880	\$ -	\$ -	\$ 247,880
-	-	-	17,899
-	-	-	80,465
-	-	-	318,252
-	-	-	30,197
1,455	63	2,575	28,726
-	-	39,780	39,780
249,335	63	42,355	763,199
498	-	-	498
-	-	-	89,966
-	-	11,786	256,994
-	-	-	29,643
175,000	385,000	-	560,000
26,375	175,575	-	201,950
201,873	560,575	11,786	1,139,051
47,462	(560,512)	30,569	(375,852)
7,462	802,690	-	810,152
-	-	(334,477)	(519,477)
7,462	802,690	(334,477)	290,675
54,924	242,178	(303,908)	(85,177)
266,228	-	303,908	2,150,593
<b>\$ 321,152</b>	<b>\$ 242,178</b>	<b>\$ -</b>	<b>\$ 2,065,416</b>

## City of Auburn Hills, Michigan

### Other Supplemental Information Combining Statement of Net Position Internal Service Funds

December 31, 2020

	Fleet Management	Retiree Health Care	Total Internal Service Funds
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 5,761,044	\$ 487,795	\$ 6,248,839
Receivables	3,707	-	3,707
Prepaid expenses and other assets	733,493	-	733,493
Total current assets	6,498,244	487,795	6,986,039
Noncurrent assets - Capital assets subject to depreciation - Net	1,954,464	-	1,954,464
Total assets	8,452,708	487,795	8,940,503
<b>Deferred Outflows of Resources</b> - Deferred OPEB costs	19,847	-	19,847
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	342,562	-	342,562
Accrued liabilities and other	7,603	65	7,668
Compensated absences	7,538	-	7,538
Total current liabilities	357,703	65	357,768
Noncurrent liabilities:			
Compensated absences	30,994	-	30,994
Net OPEB obligation	141,742	-	141,742
Total noncurrent liabilities	172,736	-	172,736
Total liabilities	530,439	65	530,504
<b>Deferred Inflows of Resources</b> - Deferred OPEB cost reductions	21,623	-	21,623
<b>Net Position</b>			
Net investment in capital assets	1,954,464	-	1,954,464
Unrestricted	5,966,029	487,730	6,453,759
Total net position	<u>\$ 7,920,493</u>	<u>\$ 487,730</u>	<u>\$ 8,408,223</u>

**City of Auburn Hills, Michigan****Other Supplemental Information**  
**Combining Statement of Revenue, Expenses, and Changes in Net Position**  
**Internal Service Funds****Year Ended December 31, 2020**

	<u>Fleet Management</u>	<u>Retiree Health Care</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenue</b>			
Other operating income	\$ 33,064	\$ -	\$ 33,064
Charges to other funds	<u>2,756,650</u>	<u>2,752,369</u>	<u>5,509,019</u>
Total operating revenue	2,789,714	2,752,369	5,542,083
<b>Operating Expenses</b>			
Supplies	320,368	-	320,368
Contracted services	87,515	44,682	132,197
Salaries and wages	194,574	-	194,574
Fringe benefits	159,470	3,461,722	3,621,192
Other operating expenses	517,558	-	517,558
Depreciation	<u>739,630</u>	<u>-</u>	<u>739,630</u>
Total operating expenses	<u>2,019,115</u>	<u>3,506,404</u>	<u>5,525,519</u>
<b>Operating Income (Loss)</b>	770,599	(754,035)	16,564
<b>Nonoperating Revenue</b>			
Investment income	87,369	1,660	89,029
Gain (loss) on disposal of assets	<u>191,305</u>	<u>-</u>	<u>191,305</u>
Total nonoperating revenue	<u>278,674</u>	<u>1,660</u>	<u>280,334</u>
<b>Change in Net Position</b>	1,049,273	(752,375)	296,898
<b>Net Position - Beginning of year</b>	<u>6,871,220</u>	<u>1,240,105</u>	<u>8,111,325</u>
<b>Net Position - End of year</b>	<u><u>\$ 7,920,493</u></u>	<u><u>\$ 487,730</u></u>	<u><u>\$ 8,408,223</u></u>

Other Supplemental Information  
Combining Statement of Cash Flows  
Internal Service Funds

Year Ended December 31, 2020

	Fleet Management	Retiree Health Care	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services and reimbursements	\$ 2,756,650	\$ 2,756,689	\$ 5,513,339
Payments to suppliers	(975,169)	(43,519)	(1,018,688)
Payments to employees and fringes	(267,142)	(3,462,123)	(3,729,265)
Payments to other funds	(408,022)	-	(408,022)
Other receipts	33,064	-	33,064
Net cash provided by (used in) operating activities	1,139,381	(748,953)	390,428
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from sale of capital assets	203,479	-	203,479
Purchase of capital assets	(629,810)	-	(629,810)
Net cash used in capital and related financing activities	(426,331)	-	(426,331)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	87,369	1,660	89,029
<b>Net Increase (Decrease) in Cash</b>	800,419	(747,293)	53,126
<b>Cash - Beginning of year</b>	4,960,625	1,235,088	6,195,713
<b>Cash - End of year</b>	<u>\$ 5,761,044</u>	<u>\$ 487,795</u>	<u>\$ 6,248,839</u>
<b>Combining Statement of Net Position Classification of Cash and Cash Equivalents - Cash and investments</b>	<u>\$ 5,761,044</u>	<u>\$ 487,795</u>	<u>\$ 6,248,839</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 770,599	\$ (754,035)	\$ 16,564
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	739,630	-	739,630
Changes in assets and liabilities:			
Due to and from other funds	-	4,320	4,320
Prepaid and other assets	(730,524)	1,163	(729,361)
Accounts payable	272,774	-	272,774
Net OPEB liability	59,424	-	59,424
Deferrals related to OPEB	5,535	-	5,535
Accrued and other liabilities	21,943	(401)	21,542
Total adjustments	368,782	5,082	373,864
Net cash provided by (used in) operating activities	<u>\$ 1,139,381</u>	<u>\$ (748,953)</u>	<u>\$ 390,428</u>

**Other Supplemental Information**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Postemployment Benefits Funds**

**December 31, 2020**

	Pension and Other Employee Benefit Trust Funds		
	Pension Trust Fund	Retiree Health Care Trust Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,103,379	\$ 250,411	\$ 1,353,790
Investments:			
Mutual funds - Fixed income	-	6,505,231	6,505,231
Mutual funds - Equity	22,611,302	10,942,987	33,554,289
Multistrategy hedge funds	4,431,948	1,874,952	6,306,900
Commingled funds	19,566,365	2,019,319	21,585,684
Common stock	6,605,518	3,440,801	10,046,319
Foreign stock	342,451	176,696	519,147
Real estate	4,814,867	2,286,919	7,101,786
Receivables:			
Accrued interest receivable	9,120	4,701	13,821
Other receivables	3,562	1,191	4,753
Total assets	59,488,512	27,503,208	86,991,720
<b>Liabilities</b>	-	-	-
<b>Net Position</b>			
Restricted:			
Pension	59,488,512	-	59,488,512
Postemployment benefits other than pension	-	27,503,208	27,503,208
Total net position	<b>\$ 59,488,512</b>	<b>\$ 27,503,208</b>	<b>\$ 86,991,720</b>

**Other Supplemental Information**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Postemployment Benefits Funds**

**Year Ended December 31, 2020**

	Pension and Other Employee Benefit Trust Funds		
	Pension Trust Fund	Retiree Health Care Trust Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 910,859	\$ 588,887	\$ 1,499,746
Net increase in fair value of investments	5,135,698	1,859,979	6,995,677
Investment-related expenses	(95,250)	(26,319)	(121,569)
Net investment income	5,951,307	2,422,547	8,373,854
Contributions:			
Employer contributions	2,014,732	3,376,820	5,391,552
Employee contributions	67,512	-	67,512
Total contributions	2,082,244	3,376,820	5,459,064
Total additions	8,033,551	5,799,367	13,832,918
<b>Deductions</b>			
Benefit payments	4,104,733	-	4,104,733
Medical premiums/expenses	-	1,339,376	1,339,376
Total deductions	4,104,733	1,339,376	5,444,109
<b>Net Increase in Fiduciary Net Position</b>	3,928,818	4,459,991	8,388,809
<b>Net Position - Beginning of year</b>	55,559,694	23,043,217	78,602,911
<b>Net Position - End of year</b>	<b>\$ 59,488,512</b>	<b>\$ 27,503,208</b>	<b>\$ 86,991,720</b>

## City of Auburn Hills, Michigan

### Other Supplemental Information Street Fund Detail - Balance Sheet

December 31, 2020

	Major Streets	Local Streets	Total
<b>Assets</b>			
Cash and investments	\$ 1,652,883	\$ 966,393	\$ 2,619,276
Receivables:			
Other receivables	61,734	6,000	67,734
Due from other governments	314,983	84,608	399,591
Total assets	<u><u>\$ 2,029,600</u></u>	<u><u>\$ 1,057,001</u></u>	<u><u>\$ 3,086,601</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 386,854	\$ 187,062	\$ 573,916
Due to other governmental units	1,025	-	1,025
Refundable deposits and bonds	410,720	142,133	552,853
Accrued liabilities and other	19,353	9,077	28,430
Total liabilities	817,952	338,272	1,156,224
<b>Deferred Inflows of Resources</b> - Unavailable revenue	<u>44,734</u>	<u>5,000</u>	<u>49,734</u>
Total liabilities and deferred inflows of resources	862,686	343,272	1,205,958
<b>Fund Balances</b> - Restricted - Roads	<u>1,166,914</u>	<u>713,729</u>	<u>1,880,643</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,029,600</u></u>	<u><u>\$ 1,057,001</u></u>	<u><u>\$ 3,086,601</u></u>



## City of Auburn Hills, Michigan

### Other Supplemental Information Street Fund Detail - Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2020

	Major Streets	Local Streets	Total
<b>Revenue</b>			
Intergovernmental:			
State sources:			
Act 51 gas and weight tax	\$ 1,871,388	\$ 525,018	\$ 2,396,406
State grants	-	300,000	300,000
Local grants and contributions	-	88,994	88,994
Investment income	622	382	1,004
Other revenue - Other miscellaneous income	62,198	268	62,466
Total revenue	1,934,208	914,662	2,848,870
<b>Expenditures</b> - Streets and public improvements	6,158,437	4,305,159	10,463,596
<b>Excess of Expenditures Over Revenue</b>	(4,224,229)	(3,390,497)	(7,614,726)
<b>Other Financing Sources</b> - Transfers in	5,000,000	3,685,000	8,685,000
<b>Net Change in Fund Balances</b>	775,771	294,503	1,070,274
<b>Fund Balances</b> - Beginning of year	391,143	419,226	810,369
<b>Fund Balances</b> - End of year	<u><u>\$ 1,166,914</u></u>	<u><u>\$ 713,729</u></u>	<u><u>\$ 1,880,643</u></u>