

---

# City of Auburn Hills, Michigan

---

**Financial Report  
with Supplemental Information  
December 31, 2019**

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-11
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13-14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of the Balance Sheet to the Statement of Net Position	16
Statement of Revenue, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenue, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21-22
Fiduciary Funds:	
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Component Units:	
Statement of Net Position	25
Statement of Activities	26-27
Notes to Financial Statements	28-64
<b>Required Supplemental Information</b>	65
Budgetary Comparison Schedule - General Fund	66
Budgetary Comparison Schedule - Major Special Revenue Fund	67
Schedule of Changes in the Net Pension Liability and Related Ratios	68
Schedule of Pension Contributions	69
Schedule of Pension Investment Returns	70
Schedule of Changes in the Net OPEB Liability and Related Ratios	71
Schedule of OPEB Contributions	72
Schedule of the City's Proportionate Share of the Net OPEB Liability	73
Schedule of OPEB Investment Returns	74
Notes to Required Supplemental Information	75-76

<b>Other Supplemental Information</b>	<b>77</b>
Nonmajor Governmental Funds:	
Combining Balance Sheet	78-79
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	80-81
Internal Service Funds:	
Combining Statement of Net Position	82
Combining Statement of Revenue, Expenses, and Changes in Net Position	83
Combining Statement of Cash Flows	84
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	85
Combining Statement of Changes in Fiduciary Net Position	86
Street Fund Detail:	
Balance Sheet	87
Statement of Revenue, Expenditures, and Changes in Fund Balances	88

## **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, 2019 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. 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, 2019 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.

#### ***Emphasis of Matter***

As described in Note 17 to the financial statements, during the year ended December 31, 2019, the City adopted a new accounting pronouncement called Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

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 an opinion 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.

*Plante & Moreau, PLLC*

May 27, 2020

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, 2019.

### **Financial Highlights**

- The City adopted GASB Statement No. 84, *Fiduciary Activities*, which addresses criteria for governments to identify whether an activity is fiduciary and should be reported as a fiduciary fund in the basic financial statements. It specifically provides criteria for three types of activities: 1) fiduciary component units, 2) pension and OPEB arrangements that are not component units, and 3) other fiduciary activities. Due to this standard, the Agency Fund of prior years is appropriately reflected as a tax collection custodial fund. Also, the City has recognized its custodial function for the Auburn Hills Public Library entity as reflected within these statements. The beginning net position in custodial funds, specifically the Auburn Hills Public Library Investment Pool, was restated to \$1,270,763.
- Property tax values increased resulting in property tax revenue of \$17.1 million, an increase of approximately \$700,000 over that of the prior fiscal year.
- The Amphitheatre and Splash Pad were well underway at the end of 2018 and was completed for use by citizens early summer of 2019. Opdyke watermain improvements underway in 2018 were finalized during 2019. South Squirrel Road and Watermain improvements were the largest 2019 infrastructure projects, which included federal funding administered by MDOT. The City also began construction on the new lodge at Hawk Woods which will be completed in 2020.

### **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, revenue 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.

#### **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 \$177,736,255 at the close of the most recent fiscal year. Total noncurrent liabilities include \$28 million related to pension obligations (\$13.4 million) and Other Postemployment Benefits (OPEB) obligations (\$14.6 million) representing the City's future retiree obligations.

## City of Auburn Hills, Michigan

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

#### City's Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 64,112,654	\$ 60,210,029	\$ 39,614,622	\$ 36,715,208	\$ 103,727,276	\$ 96,925,237
Capital assets	70,190,819	70,939,158	78,720,064	77,186,468	148,910,883	148,125,626
Total assets	134,303,473	131,149,187	118,378,068	113,901,676	252,638,159	245,050,863
<b>Deferred Outflows of Resources</b>	998,174	3,116,561	84,564	263,099	1,082,738	3,379,660
<b>Liabilities</b>						
Current liabilities	4,415,699	3,870,946	3,335,168	3,466,788	7,750,867	7,337,734
Noncurrent liabilities	38,173,205	46,670,246	8,608,906	8,242,876	46,782,111	54,913,122
Total liabilities	42,588,904	50,541,192	11,944,074	11,709,664	54,532,978	62,250,856
<b>Deferred Inflows of Resources</b>	21,113,530	16,513,892	338,134	-	21,451,664	16,513,892
<b>Net Position</b>	<b>\$ 71,599,213</b>	<b>\$ 67,210,664</b>	<b>\$ 106,137,042</b>	<b>\$ 102,455,111</b>	<b>\$ 177,736,225</b>	<b>\$ 169,665,775</b>

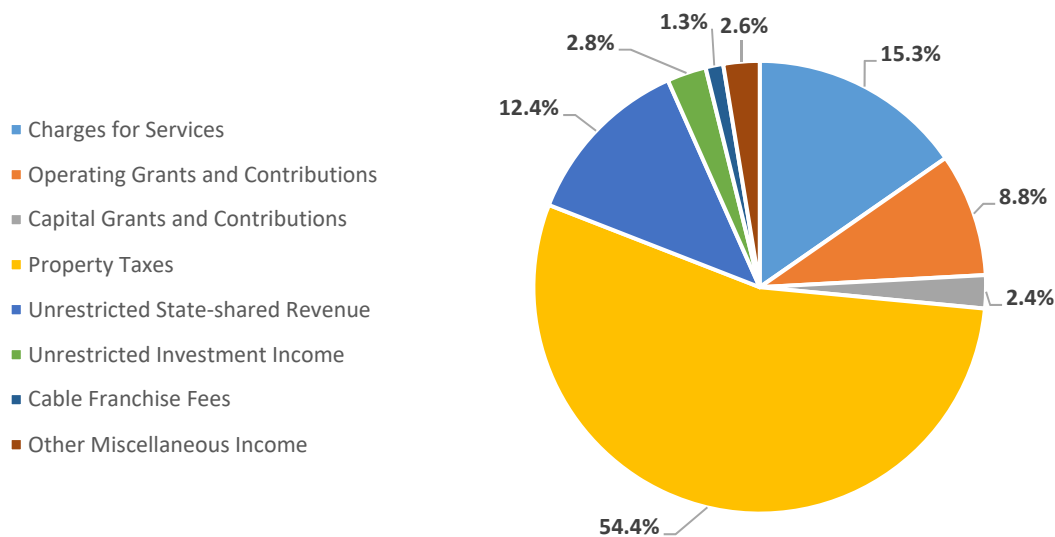
#### City's Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 4,810,847	\$ 4,381,780	\$ 19,385,523	\$ 20,198,188	\$ 24,196,370	\$ 24,579,968
Operating grants	2,764,609	3,188,865	3,678	44,307	2,768,287	3,233,172
Capital grants	743,065	1,607,500	1,303,414	5,556,352	2,046,479	7,163,852
General revenue:						
Taxes	17,075,413	16,409,024	-	-	17,075,413	16,409,024
Intergovernmental	3,901,154	3,562,761	-	-	3,901,154	3,562,761
Investment earnings	877,550	472,165	636,119	339,722	1,513,669	811,887
Other revenue	1,208,563	1,487,282	-	-	1,208,563	1,487,282
Total revenue	31,381,201	31,109,377	21,328,734	26,138,569	52,709,935	57,247,946
<b>Expenses</b>						
General government	5,848,791	5,006,718	-	-	5,892,173	5,006,718
Public safety	13,094,756	12,974,420	-	-	13,094,756	12,974,420
Public works	6,573,095	7,788,123	-	-	6,573,095	7,788,123
Community and economic development	727,311	731,321	-	-	727,311	731,321
Recreation and culture	539,019	1,105,198	-	-	539,019	1,105,198
Debt service	209,680	242,255	-	-	209,680	242,255
Water and Sewer	-	-	15,892,556	15,660,024	15,849,174	15,660,024
Fieldstone Golf Club	-	-	1,754,247	1,642,892	1,754,247	1,642,892
Total expenses	26,992,652	27,848,035	17,646,803	17,302,916	44,639,455	45,150,951
Transfers	-	50,000	-	(50,000)	-	-
<b>Change in Net Position</b>	<b>4,388,549</b>	<b>3,311,342</b>	<b>3,681,931</b>	<b>8,785,653</b>	<b>8,070,480</b>	<b>12,096,995</b>

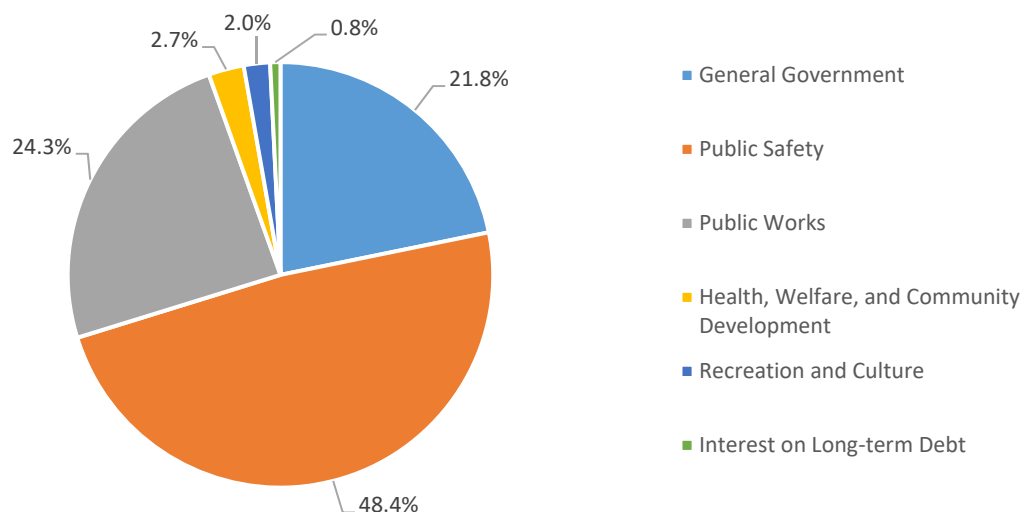
#### Governmental Activities

The City had an increase in net position of \$4.4 million in its governmental activities during 2019. This increase was due primarily to a \$1.7M pension recovery attributable in a reduction of the City's net pension liability. Total revenues increased only slightly, \$271,824, from that of the prior year. While healthy increases were seen in all areas of revenue including property tax and investment returns, that growth was absorbed by a \$1.3 million decrease from the prior year in grant revenues. Expenditures were \$855,383 less in 2019 compared to 2018. \$569,739 of this change is related to City's 2018 contribution of the Community Foundation's donation to the Splashpad and Amphitheater project.

#### Revenue by Source - Governmental Activities



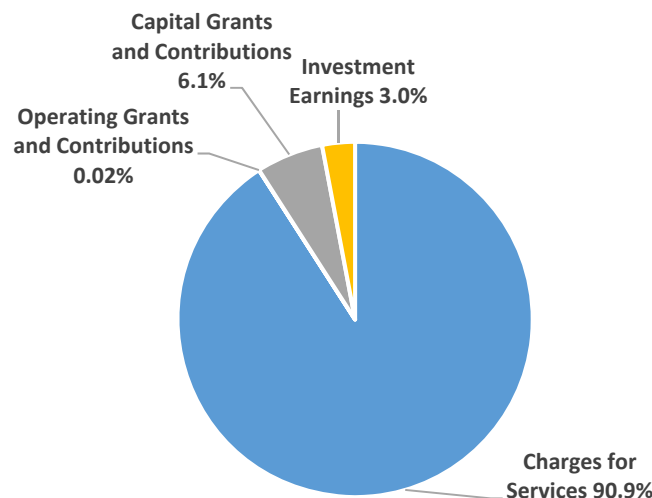
#### Program Expenses-Governmental Activities



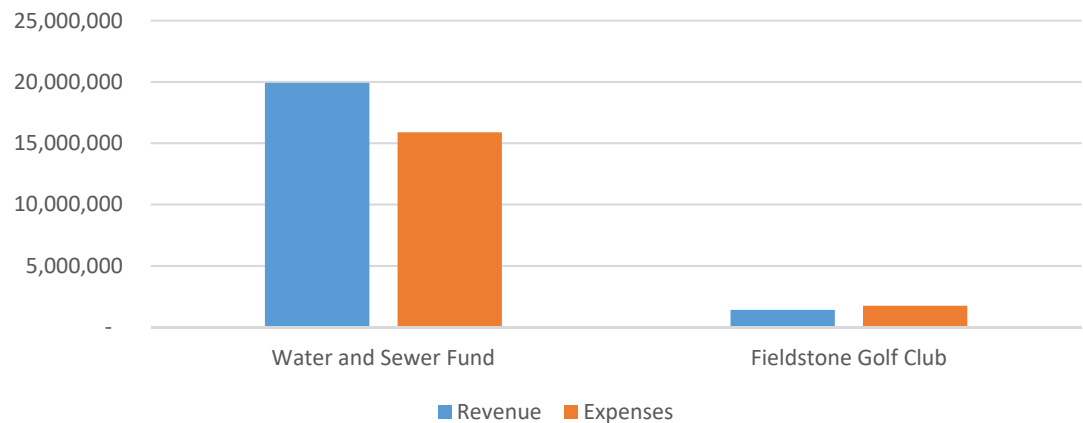
Business-Type Activities

The City had an increase in net position of approximately \$3.7 million compared to the prior year's change of an increase of \$8.8 Million. This change, in part, is due to a decrease in contributed capital from \$5.6 million in 2018 to \$1.3 million in 2019 in the Water and Sewer fund. Further, the City did increase the 2019 utility fees, the Water and Sewer fund's largest source of revenue, but was able to reduce the increase below that of the prior year. The overall combined increase in utility fees in 2019 was 2.27% compared to the 2018 increase of 3.41%.

Revenue by Source - Business-type Activities



Revenue and Expenses - Business-type Activities



#### **Governmental Funds**

At December 31, 2019, the City's governmental funds reported a combined fund balance of \$35.8 million, an increase of approximately \$1.5 million from the December 31, 2018 fund balance of \$34.3 million. This change is a result of an increase to the General Fund balance of \$1.5 million.

The unassigned portion of the fund balance represents 53.8% of total General Fund expenditures (excluding net transfers) for the 2019 fiscal year as compared to 55.7% for fiscal year ending 2018. In 2019, the City assigned an additional \$3.5 million of its fund balance for road repairs and infrastructure costs forecasted for 2021. The City also assigned \$3 million for pension and retiree health care advanced funding contributions. Further, the City assigned expenses for an ambulance that was ordered in 2019 to ensure completion by 2021. These prudent decisions assign additional fund balance necessary to address the increases in retiree liability by focusing on the current year service cost and the attributable interest on that cost for future benefits, acknowledgment of expected future capital commitments beyond the current year, and known commitments in future purchases approved by City Council action.

Revenue was relatively stable compared to 2019; it increased \$869,000 across governmental funds in 2019 over the prior year. While increases were seen in most every category, federal and state grants were \$787,000 less in 2019 compared to that of 2018.

Expenditures (not including transfers) in the governmental funds decreased by \$2.8 million. The decrease was primarily due to the capital projects fund expenditures, which decreased from \$4.3 million in 2018 to \$233,000 in 2019. This decrease was offset by increased expenditures in the general fund by approximately \$1.4 million, primarily due to a \$500,000 advance funding contribution to the pension trust fund.

#### **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 \$93.6 million as of December 31, 2019, an increase of \$4 million from 2018. The unrestricted net position increased \$920,000 to \$30.9 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.

The Water and Sewer fund experienced an operational gain in 2019 of \$2.2 million and capital contributions and non-operating activity of \$1.9 million resulting in the increase in total net position of \$4.0 million. The magnitude of private development commitment helped to support the increase in capital and developer contributions reported in 2018; however, developer contribution decreased by 88.1 percent in 2019.

The water and sewer departments have remained diligent in controlling costs in order to preserve 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 2019 were \$15.8 million. This was a decrease of \$297,572 from the prior year, thus supporting a relatively consistent budget year over year.

Planned increases in water and sewer utility charges also supported the modest increase in net position for 2019. While the increases in both water and sewer rates were lower for 2019 as compared to 2018, increases were still necessary. 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 (\$315,451). The Fieldstone Golf Club fund experienced an operating loss of (\$342,687). The golf club, however, has working capital of \$718,646 and is financially stable. The negative net position is due to a financial reporting net pension liability of \$713,566 and a net OPEB liability of \$166,991 reflecting the future costs anticipated for future retiree benefit obligations.

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

The General Fund actual revenue was more than budgeted revenues by \$507,242. Most of this additional revenue is from construction code fees due to continued development and redevelopment within the City during 2019.

The expenses of the General fund were under budget by approximately \$2.1 million. The savings was experienced across departments as efforts of cost containment are continual. Approximately \$1.2 million was due to the postponement of costs budgeted for a grant-funded wetland restoration project, general facility repairs, and parks and grounds maintenance. Actual wage and benefit expenditures were approximately \$488,000 less in 2019 compared to the 2019 amended budget. Wages were under budget \$268,000 thus contributing to benefits being under budget by \$220,000. The primary cause to the lower wage costs was unfilled positions across the organization during all or part of the year.

**Capital Assets** - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019 is \$135.2 million (net of accumulated depreciation and related debt), a decrease of approximately \$500,000 from 2018.

**Long-Term Debt**- The City has total debt outstanding of \$14.3 million (excluding compensated absences) at December 31, 2019. During the year, the City assumed another pro-rata share of debt related to the Clinton River Water Resource Recovery Facility, totaling \$1.1 million. While the City has no current plans to issue additional debt, Oakland County's Water Resource Commission is likely to pass on additional allocated debt during the coming year related to both the Clinton River Water Resource Recovery Facility and the Evergreen-Farmington Sewage Disposal System. Additional 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**

To offset past years of slow growth of tax revenues since the 2008 economic recession, the City has continually insisted on cost elimination and containment. This intentional caution allows the City to be in a stable position to weather the COVID-19 pandemic that impacted the United States in March 2020. Because the City leveraged a favorable borrowing environment in 2017 and issued debt to address the funding of some of the most critical roads and other capital needs, it lengthened the ability to maintain funds for legacy costs as well as the undeniable need for continued infrastructure spending. The City has considered issuing additional debt; however, the COVID-19 pandemic will likely impact the City's future funding from all sources which may create a potential risk for this funding method. City staff will likely study this over the next year to determine its suitability for capital needs.

The City's active employee wages, benefits and retirement programs are consistently reviewed at least annually. This helps to ensure they are both affordable for the City but also competitive to retain talented and committed staff crucial for providing the level of service and decision-making the community has become accustomed. In 2020, labor contracts and other agreements modestly increase wages and the affordability of benefits for both the employee and employer. Focused spending in training for succession also continues to be a priority for the City's continued operational and financial success.

For fiscal year 2020 and 2021, projections still indicate road maintenance and improvements will put the greatest demand on the City's general fund. Longer term projections suggest expenditure needs will exceed available revenue sources. The City has continued to put forth exhaustive effort to secure funding assistance and collaborative financial agreements from other entities. Unfortunately, the COVID-19 pandemic is expected to decrease state and federal funding over the next several years. State funding, specifically for roads, is estimated to be 20% less than what was cumulatively planned for 2020 to 2023. This estimated reduction in state funding could change in the future. State road funding has not been sufficient to handle all infrastructure or inflationary needs and these reductions will cause an even a bigger gap. Thus, City roads will require a different source of funding in order to maintain their condition to an acceptable level as the General Fund will not be able to sustain the increased levels of funding that would be required.

As the City works to meet its needs and seek alternative funding options, additional increases in tax base will be limited due to its footprint being near full capacity for new growth. Without a positive vote for additional millage increases for critical infrastructure and essential operations, the next five-years will be challenging. Annual tax revenue increases are anticipated to be stunted beginning in 2022. Currently, inflation is expected to be at 0.62% in 2020 (2.44% in 2018, 1.81% in 2019) which will have a direct impact on tax assessments as of December 31, 2020, which drive 2022 property tax revenues. With increases held to the limits of the Headlee Amendment and Proposal A, the City will likely see less property tax revenue over the next 5 years than was projected at the end of 2019. There has been no change in the City's operating millage (since 2005), police millage (since 2003), or fire millage (since 2016).

Below is a chart populated with information from the City's current approved 2020 budget. This budget has not been amended for COVID-19 pandemic-related anticipated revenue loss or changes in expenditures.

The City is just beginning to assess the impact as estimates come forth from appropriate and reliable state and federal sources. The current year budget is amended as necessary throughout the year with an overall review late in the year. At that time the 2021 -2024 projections will be updated as well.

## City of Auburn Hills, Michigan

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

City of Auburn Hills General Fund		
Description	2019	2020
	Actuals	Budget
Property Taxes	\$ 17,075,413	\$ 18,061,375
State Shared Revenue and Refunds	3,820,046	3,371,677
Licenses And Permits	1,659,004	1,317,250
Grants	236,160	398,555
Charges For Services	2,241,994	2,116,245
Other Revenue	2,391,522	2,311,069
Interfund Charges	2,922,136	2,966,173
Transfers From Funds	-	50,000
Total Revenue	\$ 30,346,275	\$ 30,592,344
Annual Expenditures	\$ 26,821,133	\$ 30,372,329
Transfer to Major Streets	1,010,000	3,934,000
Transfer to Local Streets	414,089	6,198,400
Transfer to TIFA A		
Transfer to CI Debt Service	561,975	560,575
Total Expenditures	\$ 28,807,197	\$ 41,065,304
Net Revenue Under Expenditures	\$ 1,539,078	\$ (10,472,960)

#### 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).

## Statement of Net Position

December 31, 2019

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 47,156,337	\$ 32,932,102	\$ 80,088,439	\$ 19,466,198
Receivables (Note 4)	16,949,140	3,697,727	20,646,867	1,235,224
Internal balances	(1,764,949)	1,764,949	-	-
Inventory	-	188,225	188,225	-
Prepaid expenses and other assets	121,053	-	121,053	273,189
Advance to component unit	-	-	-	160,000
Restricted assets (Note 5)	552,885	1,031,619	1,584,504	-
Land held for resale	1,098,188	-	1,098,188	-
Capital assets: (Note 7)				
Assets not subject to depreciation	8,124,857	13,980,300	22,105,157	9,012,347
Assets subject to depreciation - Net	62,065,962	64,739,764	126,805,726	47,490,171
Total assets	134,303,473	118,334,686	252,638,159	77,637,129
<b>Deferred Outflows of Resources</b> (Note 6)	998,174	84,564	1,082,738	-
<b>Liabilities</b>				
Accounts payable	1,756,879	2,382,082	4,138,961	103,070
Due to other governmental units	-	132,355	132,355	-
Refundable deposits and bonds	1,272,926	782,904	2,055,830	-
Accrued liabilities and other	1,329,370	37,827	1,367,197	102,799
Provision for property tax refunds	56,524	-	56,524	17,808
Advance from component unit	-	-	-	160,000
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	218,977	-	218,977	-
Compensated absences (Note 8)	233,888	12,821	246,709	-
Current portion of bonds payable (Note 8)	610,000	353,795	963,795	54,814
Due in more than one year:				
Compensated absences (Note 8)	1,438,811	66,044	1,504,855	-
Net pension liability (Note 12)	13,370,319	1,372,406	14,742,725	-
Net OPEB obligation (Note 13)	14,581,306	1,235,306	15,816,612	-
Bonds payable - Net of current portion (Note 8)	7,719,904	5,568,534	13,288,438	505,507
Total liabilities	42,588,904	11,944,074	54,532,978	943,998
<b>Deferred Inflows of Resources</b> (Note 6)	21,113,530	338,134	21,451,664	1,797,952
<b>Net Position</b>				
Net investment in capital assets	62,164,823	73,052,744	135,217,567	56,502,518
Restricted:				
Donations	30,000	-	30,000	-
Tree ordinance	701,563	-	701,563	-
Major and local roads	837,369	-	837,369	-
Metro Act	204,524	-	204,524	-
Police grants and forfeitures	107,394	-	107,394	-
Community development block grant	22,392	-	22,392	-
NOCWA	-	776,610	776,610	-
Debt service	1,397,623	-	1,397,623	-
Unrestricted	6,133,525	32,307,688	38,441,213	18,392,661
Total net position	<u>\$ 71,599,213</u>	<u>\$ 106,137,042</u>	<u>\$ 177,736,255</u>	<u>\$ 74,895,179</u>

## 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	\$ 5,848,791	\$ 470,294	\$ -	\$ 49,735
Public safety	13,094,756	3,192,377	182,656	-
Public works	6,573,095	504,989	2,425,852	693,330
Health, welfare, and community development	727,311	496,986	141,677	-
Parks and recreation	539,019	146,201	14,424	-
Interest on long-term debt	209,680	-	-	-
Total governmental activities	26,992,652	4,810,847	2,764,609	743,065
Business-type activities:				
Water & Sewer Fund	15,892,556	17,973,963	3,678	1,303,414
Fieldstone Golf Club Fund	1,754,247	1,411,560	-	-
Total business-type activities	17,646,803	19,385,523	3,678	1,303,414
Total primary government	<u>\$ 44,639,455</u>	<u>\$ 24,196,370</u>	<u>\$ 2,768,287</u>	<u>\$ 2,046,479</u>
Component units:				
TIFA A	\$ 1,388,304	\$ 54,025	\$ -	\$ -
TIFA B	686,469	-	-	-
TIFA D	1,189,725	1,124	-	1,680
Brownfield Redevelopment Authority	423,660	-	-	-
Economic Development Corporation	324	-	-	-
Downtown Development Authority	205,943	-	17,367	-
Total component units	<u>\$ 3,894,425</u>	<u>\$ 55,149</u>	<u>\$ 17,367</u>	<u>\$ 1,680</u>
General revenue:				
Taxes - Property				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				

### Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

# Statement of Activities

Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,328,762)	\$ -	\$ (5,328,762)	\$ -
(9,719,723)	-	(9,719,723)	-
(2,948,924)	-	(2,948,924)	-
(88,648)	-	(88,648)	-
(378,394)	-	(378,394)	-
(209,680)	-	(209,680)	-
(18,674,131)	-	(18,674,131)	-
-	3,388,499	3,388,499	-
-	(342,687)	(342,687)	-
-	3,045,812	3,045,812	-
(18,674,131)	3,045,812	(15,628,319)	-
-	-	-	(1,334,279)
-	-	-	(686,469)
-	-	-	(1,186,921)
-	-	-	(423,660)
-	-	-	(324)
-	-	-	(188,576)
-	-	-	(3,820,229)
17,075,413	-	17,075,413	2,433,663
3,901,154	-	3,901,154	1,139,151
877,550	636,119	1,513,669	416,082
395,866	-	395,866	-
812,697	-	812,697	307
23,062,680	636,119	23,698,799	3,989,203
4,388,549	3,681,931	8,070,480	168,974
67,210,664	102,455,111	169,665,775	74,726,205
<b>\$ 71,599,213</b>	<b>\$ 106,137,042</b>	<b>\$ 177,736,255</b>	<b>\$ 74,895,179</b>

# City of Auburn Hills, Michigan

## Governmental Funds Balance Sheet

December 31, 2019

	General Fund	Major and Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 37,221,247	\$ 1,780,937	\$ 1,958,440	\$ 40,960,624
Receivables:				
Property taxes receivable	12,568,551	-	-	12,568,551
Special assessments receivable	15,794	-	1,158,210	1,174,004
Customer receivables	885,010	-	-	885,010
Other receivables	36,074	39,500	-	75,574
Due from other governments	1,835,665	379,761	26,868	2,242,294
Due from other funds	4,500	-	-	4,500
Prepaid expenses and other assets	116,921	-	-	116,921
Restricted assets	-	-	522,885	522,885
Land held for resale	1,098,188	-	-	1,098,188
<b>Total assets</b>	<b>\$ 53,781,950</b>	<b>\$ 2,200,198</b>	<b>\$ 3,666,403</b>	<b>\$ 59,648,551</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,048,421	\$ 575,182	\$ 63,488	\$ 1,687,091
Due to other funds	3,728	296	4,500	8,524
Refundable deposits and bonds	406,163	769,313	97,450	1,272,926
Accrued liabilities and other	1,285,294	18,038	-	1,303,332
Provision for property tax refunds	56,524	-	-	56,524
Payable from restricted assets	-	-	218,977	218,977
<b>Total liabilities</b>	<b>2,800,130</b>	<b>1,362,829</b>	<b>384,415</b>	<b>4,547,374</b>
<b>Deferred Inflows of Resources (Note 6)</b>	<b>18,188,804</b>	<b>27,000</b>	<b>1,131,395</b>	<b>19,347,199</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>20,988,934</b>	<b>1,389,829</b>	<b>1,515,810</b>	<b>23,894,573</b>
<b>Fund Balances</b>				
Nonspendable:				
Land held for resale	1,098,188	-	-	1,098,188
Prepays	116,921	-	-	116,921
Restricted:				
Roads	-	810,369	-	810,369
Police grants and forfeitures	-	-	107,394	107,394
Debt service	-	-	266,228	266,228
Metro act	-	-	204,524	204,524
Capital projects	-	-	303,908	303,908
Tree ordinance	-	-	701,563	701,563
Community development block grant	-	-	22,392	22,392
Committed:				
Storm management	65,691	-	-	65,691
Wayne disposal	-	-	544,584	544,584
Assigned:				
Subsequent year's budget	10,407,269	-	-	10,407,269
Pension contribution	1,000,000	-	-	1,000,000
OPEB contribution	2,000,000	-	-	2,000,000
Roads contribution	3,460,000	-	-	3,460,000
Ambulance	224,975	-	-	224,975
Unassigned	14,419,972	-	-	14,419,972
<b>Total fund balances</b>	<b>32,793,016</b>	<b>810,369</b>	<b>2,150,593</b>	<b>35,753,978</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 53,781,950</b>	<b>\$ 2,200,198</b>	<b>\$ 3,666,403</b>	<b>\$ 59,648,551</b>

See notes to financial statements.

---

**Governmental Funds**

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

---

**December 31, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 35,753,978</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	68,114,361
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	1,585,932
Restricted assets held by outside entities are not financial resources and are not reported in the funds	30,000
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(8,329,904)
Accrued interest is not due and payable in the current period and is not reported in the funds	(21,535)
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	(1,652,544)
Pension benefits	(16,390,148)
Retiree healthcare benefits	<u>(13,837,007)</u>
Total employee fringe benefits not reported as fund liabilities	(31,879,699)
Internal service funds are included as part of governmental activities	<u>6,346,080</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 71,599,213</u></u></b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2019

	General Fund	Major and Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 17,075,413	\$ -	\$ -	\$ 17,075,413
Special assessments	45,687	-	214,548	260,235
Intergovernmental:				
Federal grants	161,336	-	50,939	212,275
State sources:				
State-shared revenue	2,197,858	-	72,847	2,270,705
Act 51 gas and weight tax	-	2,425,852	-	2,425,852
Local Community Stabilization Authority	1,630,449	-	-	1,630,449
State grants	66,563	45,488	-	112,051
Charges for services:				
Construction code fees	1,837,437	-	-	1,837,437
Charges to other funds	2,922,136	-	-	2,922,136
User fees	573,600	-	504,989	1,078,589
Service charge	1,324,569	-	-	1,324,569
Fines and forfeitures	298,549	-	42,569	341,118
Licenses and permits	612,857	-	-	612,857
Investment income	827,522	4,681	45,347	877,550
Other revenue	772,299	73,862	-	846,161
Total revenue	30,346,275	2,549,883	931,239	33,827,397
<b>Expenditures</b>				
Current services:				
General government	10,101,878	-	-	10,101,878
Public safety	14,294,895	-	49,900	14,344,795
Public works	1,053,416	4,128,230	585,899	5,767,545
Community and economic development	731,501	-	47,423	778,924
Recreation and culture	572,502	-	-	572,502
Debt service:				
Principal	50,000	-	550,000	600,000
Interest and fiscal charges	16,941	-	216,850	233,791
Total expenditures	26,821,133	4,128,230	1,450,072	32,399,435
<b>Excess of Revenue Over (Under) Expenditures</b>	3,525,142	(1,578,347)	(518,833)	1,427,962
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,634,089	561,975	2,196,064
Transfers out	(1,986,064)	-	(210,000)	(2,196,064)
Total other financing (uses) sources	(1,986,064)	1,634,089	351,975	-
<b>Net Change in Fund Balances</b>	1,539,078	55,742	(166,858)	1,427,962
<b>Fund Balances - Beginning of year</b>	31,253,938	754,627	2,317,451	34,326,016
<b>Fund Balances - End of year</b>	<u>\$ 32,793,016</u>	<u>\$ 810,369</u>	<u>\$ 2,150,593</u>	<u>\$ 35,753,978</u>

**Governmental Funds**

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

**Year Ended December 31, 2019**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 1,427,962</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	2,916,315
Depreciation expense	(3,301,634)
Net book value of assets disposed of	(2,217)
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	(178,752)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	622,569
Interest expense is recognized in the government-wide statements as it accrues	1,542
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	1,935,685
Internal service funds are included as part of governmental activities	967,079
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 4,388,549</u></b>

# Proprietary Funds Statement of Net Position

December 31, 2019

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 32,227,173	\$ 704,929	\$ 32,932,102	\$ 6,195,713
Receivables - Customers	3,697,727	-	3,697,727	3,707
Due from other funds	-	-	-	4,320
Inventory	160,824	27,401	188,225	-
Prepaid expenses and other assets	-	-	-	4,132
Total current assets	36,085,724	732,330	36,818,054	6,207,872
Noncurrent assets:				
Restricted assets (Note 5)	1,031,619	-	1,031,619	-
Capital assets: (Note 7)				
Assets not subject to depreciation	5,657,857	8,322,443	13,980,300	-
Assets subject to depreciation - Net	61,980,242	2,759,522	64,739,764	2,076,458
Total noncurrent assets	68,669,718	11,081,965	79,751,683	2,076,458
Total assets	104,755,442	11,814,295	116,569,737	8,284,330
<b>Deferred Outflows of Resources</b> - Deferred OPEB costs	73,133	11,431	84,564	5,636
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,375,642	6,440	2,382,082	69,788
Due to other governmental units	125,111	7,244	132,355	-
Due to other funds	296	-	296	-
Refundable deposits and bonds	782,904	-	782,904	-
Accrued liabilities and other	37,827	-	37,827	4,503
Compensated absences (Note 8)	12,821	-	12,821	3,193
Current portion of bonds payable (Note 8)	353,795	-	353,795	-
Total current liabilities	3,688,396	13,684	3,702,080	77,484
Noncurrent liabilities:				
Compensated absences (Note 8)	66,044	-	66,044	16,962
Net pension liability (Note 12)	658,840	713,566	1,372,406	-
Net OPEB obligation	1,068,315	166,991	1,235,306	82,318
Bonds payable - Net of current portion (Note 8)	5,568,534	-	5,568,534	-
Total noncurrent liabilities	7,361,733	880,557	8,242,290	99,280
Total liabilities	11,050,129	894,241	11,944,370	176,764
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions	148,807	161,164	309,971	-
Deferred OPEB cost reductions	24,356	3,807	28,163	1,877
Total deferred inflows of resources	173,163	164,971	338,134	1,877
<b>Net Position</b>				
Net investment in capital assets	61,970,779	11,081,965	73,052,744	2,076,458
Restricted - NOCWA	776,610	-	776,610	-
Unrestricted	30,857,894	(315,451)	30,542,443	6,034,867
Total net position	<u>\$ 93,605,283</u>	<u>\$ 10,766,514</u>	104,371,797	<u>\$ 8,111,325</u>
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			1,765,245	
<b>Total Net Position</b>			<u>\$ 106,137,042</u>	

# Proprietary Funds

## Statement of Revenue, Expenses, and Changes in Net Position

**Year Ended December 31, 2019**

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>				
Sale of water	\$ 9,346,121	\$ -	\$ 9,346,121	\$ -
Sewage disposal charges	7,623,686	-	7,623,686	-
Hydrant and equipment rental	119,735	-	119,735	-
Interest and penalty charges	589,420	-	589,420	-
Merchandise sales	-	111,824	111,824	-
Greens fees	-	1,148,151	1,148,151	-
Practice range fees	-	82,361	82,361	-
Other operating income	295,001	69,224	364,225	12,533
Charges to other funds	-	-	-	5,648,256
<b>Total operating revenue</b>	<b>17,973,963</b>	<b>1,411,560</b>	<b>19,385,523</b>	<b>5,660,789</b>
<b>Operating Expenses</b>				
Cost of water	4,515,303	-	4,515,303	-
Cost of sewage treatment	5,439,640	-	5,439,640	-
Administrative charges	2,307,445	134,496	2,441,941	-
Supplies	254,334	311,945	566,279	423,581
OPEB recovery	-	-	-	(63,713)
Contracted services	28,601	529,920	558,521	161,933
Salaries and wages	545,812	233,837	779,649	117,760
Fringe benefits	311,818	253,750	565,568	2,887,370
Other operating expenses	149,878	-	149,878	503,494
Depreciation	2,269,589	290,299	2,559,888	930,306
<b>Total operating expenses</b>	<b>15,822,420</b>	<b>1,754,247</b>	<b>17,576,667</b>	<b>4,960,731</b>
<b>Operating Income (Loss)</b>	<b>2,151,543</b>	<b>(342,687)</b>	<b>1,808,856</b>	<b>700,058</b>
<b>Nonoperating Revenue (Expense)</b>				
Investment income	633,332	2,787	636,119	99,042
Interest expense	(87,160)	-	(87,160)	-
Gain on sale of assets	-	-	-	135,268
State grants	3,678	-	3,678	-
<b>Total nonoperating revenue</b>	<b>549,850</b>	<b>2,787</b>	<b>552,637</b>	<b>234,310</b>
<b>Income (Loss) - Before capital contributions</b>	<b>2,701,393</b>	<b>(339,900)</b>	<b>2,361,493</b>	<b>934,368</b>
<b>Capital Contributions</b>				
Capital contributions	-	-	-	49,735
Capital and lateral charges	790,751	-	790,751	-
Developer contributions	512,663	-	512,663	-
<b>Total capital contributions</b>	<b>1,303,414</b>	<b>-</b>	<b>1,303,414</b>	<b>49,735</b>
<b>Change in Net Position</b>	<b>4,004,807</b>	<b>(339,900)</b>	<b>3,664,907</b>	<b>984,103</b>
<b>Net Position - Beginning of year</b>	<b>89,600,476</b>	<b>11,106,414</b>	<b>100,706,890</b>	<b>7,127,222</b>
<b>Net Position - End of year</b>	<b>\$ 93,605,283</b>	<b>\$ 10,766,514</b>	<b>\$ 104,371,797</b>	<b>\$ 8,111,325</b>
<b>Net Change in Net Position - Total enterprise funds</b>			<b>\$ 3,664,907</b>	
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			17,024	
<b>Change in Net Position of Business-type Activities</b>			<b>\$ 3,681,931</b>	

Proprietary Funds  
Statement of Cash Flows

Year Ended December 31, 2019

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 17,834,706	\$ 1,356,311	\$ 19,191,017	\$ -
Receipts from interfund services and reimbursements	-	-	-	5,673,153
Payments to suppliers	(10,057,097)	(851,653)	(10,908,750)	(648,821)
Payments to employees and fringes	(893,001)	(353,496)	(1,246,497)	(3,003,521)
Payments to other funds	(2,309,287)	(134,852)	(2,444,139)	(405,016)
Other receipts	5,791	55,249	61,040	9,826
Net cash provided by operating activities	4,581,112	71,559	4,652,671	1,625,621
<b>Cash Flows Provided by Noncapital Financing Activities - State grants</b>	3,678	-	3,678	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of capital assets	-	-	-	135,268
Purchase of capital assets	(2,790,079)	(19,650)	(2,809,729)	(519,768)
Principal and interest paid on capital debt	(435,962)	-	(435,962)	-
Capital and lateral charges	790,751	-	790,751	-
Net cash used in capital and related financing activities	(2,435,290)	(19,650)	(2,454,940)	(384,500)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	633,332	2,787	636,119	99,042
<b>Net Increase in Cash</b>	2,782,832	54,696	2,837,528	1,340,163
<b>Cash - Beginning of year</b>	29,444,341	650,233	30,094,574	4,855,550
<b>Cash - End of year</b>	<u><u>\$ 32,227,173</u></u>	<u><u>\$ 704,929</u></u>	<u><u>\$ 32,932,102</u></u>	<u><u>\$ 6,195,713</u></u>
<b>Classification of Cash - Cash and investments</b>	\$ 32,227,173	\$ 704,929	\$ 32,932,102	\$ 6,195,713

Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended December 31, 2019

	Enterprise Funds			Governmental Activities
	Water & Sewer Fund	Fieldstone Golf Club Fund	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 2,151,543	\$ (342,687)	\$ 1,808,856	\$ 700,058
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	2,269,589	290,299	2,559,888	930,306
Changes in assets and liabilities:				
Receivables	(133,466)	-	(133,466)	(2,707)
Due to and from other funds	(1,842)	(356)	(2,198)	24,897
Inventories	(4,542)	(6,898)	(11,440)	-
Prepaid and other assets	-	-	-	(1,026)
Net pension or OPEB asset	-	170,798	170,798	-
Accounts payable	335,201	(2,890)	332,311	36,197
Net pension or OPEB liability	(303,160)	(254,342)	(557,502)	(73,964)
Deferrals related to pension or OPEB	279,297	233,565	512,862	10,251
Accrued and other liabilities	(11,508)	(15,930)	(27,438)	1,609
Total adjustments	2,429,569	414,246	2,843,815	925,563
Net cash provided by operating activities	<u>\$ 4,581,112</u>	<u>\$ 71,559</u>	<u>\$ 4,652,671</u>	<u>\$ 1,625,621</u>
<b>Significant Noncash Transactions - Vehicle donations</b>	\$ -	\$ -	\$ -	\$ 49,735

During 2019, developers contributed \$487,290 of water mains and \$25,373 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 2019, the City reported capital asset additions associated with the project of \$665,025. The City incurred additional long-term debt of \$1,123,526, which includes \$458,501 that was converted from amounts due to other governmental units.

Fiduciary Funds  
Statement of Fiduciary Net Position

December 31, 2019

		Custodial Funds		
	Pension and Other Employee Benefit Trust Funds	Tax Collection	Auburn Hills Public Library Investment Pool	Total Fiduciary Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,305,064	\$ 3,014,034	\$ 554,338	\$ 4,873,436
Investments:				
Pooled investments	-	-	772,962	772,962
Mutual funds - Fixed income	6,037,903	-	-	6,037,903
Mutual funds - Equity	28,821,084	-	-	28,821,084
Multistrategy hedge funds	5,609,851	-	-	5,609,851
Commingled funds	19,468,304	-	-	19,468,304
Common stock	6,494,078	-	-	6,494,078
Foreign stock	414,093	-	-	414,093
Real estate	9,617,510	-	-	9,617,510
Receivables:				
Accrued interest receivable	20,491	-	-	20,491
Pension system contributions receivable	588,346	-	-	588,346
Other receivables	226,187	-	-	226,187
Total assets	78,602,911	3,014,034	1,327,300	82,944,245
<b>Liabilities</b> - Undistributed tax collections	-	3,014,034	-	3,014,034
<b>Net Position</b>				
Restricted:				
Pension	55,559,694	-	-	55,559,694
Postemployment benefits	23,043,217	-	-	23,043,217
Pool participant	-	-	1,327,300	1,327,300
Total net position	<u>\$ 78,602,911</u>	<u>\$ -</u>	<u>\$ 1,327,300</u>	<u>\$ 79,930,211</u>

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2019

	Pension and Other Employee Benefit Trust Funds	Custodial Funds		Total Fiduciary Funds
		Tax Collection	Auburn Hills Public Library Investment Pool	
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 1,253,872	\$ -	\$ -	\$ 1,253,872
Net increase in fair value of investments	10,940,980	-	27,177	10,968,157
Investment-related expenses	(258,177)	-	-	(258,177)
Net investment income	11,936,675	-	27,177	11,963,852
Contributions:				
Employer contributions	4,514,266	-	-	4,514,266
Employee contributions	81,344	-	-	81,344
Total contributions	4,595,610	-	-	4,595,610
Additions by Auburn Hills Public Library	-	-	1,491,038	1,491,038
Property tax collections	-	58,787,683	-	58,787,683
Total additions	16,532,285	58,787,683	1,518,215	76,838,183
<b>Deductions</b>				
Benefit payments	3,822,720	-	-	3,822,720
Medical premiums/expenses	1,310,654	-	-	1,310,654
Deductions by Auburn Hills Public Library	-	-	1,461,678	1,461,678
Tax distributions to other governments	-	58,787,683	-	58,787,683
Total deductions	5,133,374	58,787,683	1,461,678	65,382,735
<b>Net Increase in Fiduciary Net Position</b>	11,398,911	-	56,537	11,455,448
<b>Net Position</b> - Beginning of year - As restated (Note 17)	67,204,000	-	1,270,763	68,474,763
<b>Net Position</b> - End of year	<u>\$ 78,602,911</u>	<u>\$ -</u>	<u>\$ 1,327,300</u>	<u>\$ 79,930,211</u>

Component Units  
Statement of Net Position

December 31, 2019

	TIFA A	TIFA B	TIFA D	Brownfield Redevelopment Authority	Economic Development Corporation	Downtown Development Authority	Total
<b>Assets</b>							
Cash and investments	\$ 2,003,523	\$ 9,353,419	\$ 3,173,209	\$ 4,586,875	\$ 9,127	\$ 340,045	\$ 19,466,198
Receivables - Property taxes	408,980	655,653	-	87,974	-	82,617	1,235,224
Prepaid expenses and other assets	273,189	-	-	-	-	-	273,189
Advance to component unit	-	160,000	-	-	-	-	160,000
Capital assets: (Note 7)							
Assets not subject to depreciation	6,995,136	-	2,017,211	-	-	-	9,012,347
Assets subject to depreciation - Net	17,911,644	8,206,406	21,372,121	-	-	-	47,490,171
Total assets	27,592,472	18,375,478	26,562,541	4,674,849	9,127	422,662	77,637,129
<b>Liabilities</b>							
Accounts payable	48,746	18,240	17,929	17,093	-	1,062	103,070
Accrued liabilities and other	657	-	102,142	-	-	-	102,799
Provision for property tax refunds	-	2,626	8,000	4,558	-	2,624	17,808
Advance from component unit	-	-	-	-	-	160,000	160,000
Noncurrent liabilities: (Note 8)							
Current portion of bonds payable	-	-	-	54,814	-	-	54,814
Bonds payable - Net of current portion	-	-	-	505,507	-	-	505,507
Total liabilities	49,403	20,866	128,071	581,972	-	163,686	943,998
<b>Deferred Inflows of Resources</b> - Property taxes levied for subsequent year	612,311	938,992	-	120,746	-	125,903	1,797,952
<b>Net Position</b>							
Net investment in capital assets	24,906,780	8,206,406	23,389,332	-	-	-	56,502,518
Unrestricted	2,023,978	9,209,214	3,045,138	3,972,131	9,127	133,073	18,392,661
Total net position	<u>\$ 26,930,758</u>	<u>\$ 17,415,620</u>	<u>\$ 26,434,470</u>	<u>\$ 3,972,131</u>	<u>\$ 9,127</u>	<u>\$ 133,073</u>	<u>\$ 74,895,179</u>

## City of Auburn Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
TIFA A	\$ 1,388,304	\$ 54,025	\$ -	\$ -
TIFA B	686,469	-	-	-
TIFA D	1,189,725	1,124	-	1,680
Brownfield Redevelopment Authority	423,660	-	-	-
Economic Development Corporation	324	-	-	-
Downtown Development Authority	205,943	-	17,367	-
Total	<b>\$ 3,894,425</b>	<b>\$ 55,149</b>	<b>\$ 17,367</b>	<b>\$ 1,680</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, 2019**

Net (Expense) Revenue and Changes in Net Position						
TIFA A	TIFA B	TIFA D	Brownfield Redevelopment Authority	Economic Development Corporation	Downtown Development Authority	Total
\$ (1,334,279)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,334,279)
-	(686,469)	-	-	-	-	(686,469)
-	-	(1,186,921)	-	-	-	(1,186,921)
-	-	-	(423,660)	-	-	(423,660)
-	-	-	-	(324)	-	(324)
-	-	-	-	-	(188,576)	(188,576)
(1,334,279)	(686,469)	(1,186,921)	(423,660)	(324)	(188,576)	(3,820,229)
880,818	1,249,161	38	157,197	-	146,449	2,433,663
232,588	162,674	731,592	12,297	-	-	1,139,151
33,533	193,093	47,251	141,004	-	1,201	416,082
307	-	-	-	-	-	307
1,147,246	1,604,928	778,881	310,498	-	147,650	3,989,203
(187,033)	918,459	(408,040)	(113,162)	(324)	(40,926)	168,974
27,117,791	16,497,161	26,842,510	4,085,293	9,451	173,999	74,726,205
<b>\$ 26,930,758</b>	<b>\$ 17,415,620</b>	<b>\$ 26,434,470</b>	<b>\$ 3,972,131</b>	<b>\$ 9,127</b>	<b>\$ 133,073</b>	<b>\$ 74,895,179</b>

December 31, 2019

## 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, 2019

## 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) 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, 2019

## 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 funds as "major" enterprise funds:

- 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 Fieldstone Golf Club Fund is used to account for the operations of the City's municipal golf course. This fund is funded primarily through user fees charged to individuals using these facilities.

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 healthcare payments to retirees.

December 31, 2019

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

- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, and the various smaller authorities).
- 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 healthcare-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, 2019

**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 sales 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 values (NAV) of the investment.

The pension and OPEB trust include investments valued at approximately \$27.3 million (approximately 50 percent of pension assets) and approximately \$5.7 million (approximately 25 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, 2019

**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 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 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, 2019

**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 government'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. It is the government's policy to consider unrestricted fund balance to have been depleted before using any of the components of restricted 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 government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government 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. 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.

**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.

The City's 2019 property tax revenue was levied and collectible on December 1, 2019 and is recognized as revenue in the year ending December 31, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

December 31, 2019

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

The 2018 taxable valuation of the City totaled \$1.481 million (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 2019 taxable valuation, which was levied on July 1 and recognized in the current year, totaled \$122.6 million captured by the TIFAs, \$7.8 million captured by the Brownfield Redevelopment Authority, and \$9.7 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 \$	3,270,000
Fire department	2.5000	3,795,000
Police department	5.9857	9,171,000
Captured property taxes		2,429,000
Total		\$ 18,665,000

**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, Water & Sewer Fund, and Fieldstone Golf Club Fund.

**Other Postemployment Benefit Costs**

The City offers retiree healthcare 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.

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.

December 31, 2019

## Note 1 - Significant Accounting Policies (Continued)

### **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 ending December 31, 2020. The GASB recently deferred the implementation of this standard, resulting in the new implementation date for the City the 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 recently 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, 2019

**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 recently deferred the implementation date of this new standard, resulting in a new required implementation date for the City's fiscal year ended December 31, 2022.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, to address unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraequity transfers of assets, postemployment benefits, governmental 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*, which clarifies accounting and financial reporting for arrangements where a governmental entity contracts with an operator to provide public services by conveying control of the right to operate or use nonfinancial asset for a period of time in an exchange or exchange-like transaction. It also establishes the definitions of public-private and public-public partnerships and availability payment arrangements. The provisions of this statement are effective for the City's financial statements for the December 31, 2023 fiscal year.

**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, 2019		\$	(1,833,763)
Current year permit revenue			1,881,333
Related expenses:			
Direct costs	\$	1,207,395	
Estimated indirect costs		52,557	1,259,952
			<u>621,381</u>
Current year surplus			<u>621,381</u>
Cumulative shortfall December 31, 2019		\$	<u><u>(1,212,382)</u></u>

December 31, 2019

### 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	\$ 47,156,337	\$ 32,932,102	\$ 82,109,221	\$ 19,466,198
Restricted cash	522,885	-	-	-
Total deposits and investments	<u>\$ 47,679,222</u>	<u>\$ 32,932,102</u>	<u>\$ 82,109,221</u>	<u>\$ 19,466,198</u>

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

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units
Deposits	\$ 15,412,982	\$ 13,309,806	\$ 3,342,183	\$ 6,546,671
Investments:				
Oakland County - LGIP	3,575,029	1,488,801	-	426,761
Michigan CLASS	7,008,109	3,825,546	-	525,914
Investment managers	21,683,102	14,307,949	78,767,038	11,966,852
Total	<u>\$ 47,679,222</u>	<u>\$ 32,932,102</u>	<u>\$ 82,109,221</u>	<u>\$ 19,466,198</u>

Michigan Compiled Laws Section 129.91 (Public Act 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 not 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.

The City adopted Public Act 149 of 1999, which allows the City to invest retiree healthcare 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.

December 31, 2019

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

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 \$38,625,445 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$7,481,537 of a fiduciary trust fund and \$9,304 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, 2019 by the custodial bank include U.S. Treasuries of \$20,349,734 and U.S. agency securities of \$28,381,131. The investments held by the investment managers include \$11,996,852 and \$772,962 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, 2019, the City's investment in the Oakland County Local Government Investment Pool was \$5,490,591, which includes \$426,761 of component unit investments. As of December 31, 2019, the City's investment in the Michigan CLASS investment pool was \$11,359,569, which includes \$525,914 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 \$54,732,006 and \$23,035,881 in the Pension Trust Fund and Retiree Health Care Trust Fund, respectively, as of December 31, 2019.

***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 healthcare investment policies restrict cash equivalents to a dollar-weighted average maturity of 90 days or less.

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	\$ 27,608,169	\$ 7,695,507	\$ 19,912,662
U.S. Treasuries	20,349,734	10,073,016	10,276,718
Oakland County - Investment pool	5,490,591	-	5,490,591
Michigan CLASS - Investment pool	11,359,569	11,359,569	-
Total	<u>\$ 64,808,063</u>	<u>\$ 29,128,092</u>	<u>\$ 35,679,971</u>

December 31, 2019

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

Fiduciary Funds	Carrying Value	One to Five Years
Mutual funds - Fixed income	\$ 6,037,903	\$ 6,037,903
Commingled funds - Fixed income	12,491,782	12,491,782
Investment pool	772,962	772,962
Total	<u>\$ 19,302,647</u>	<u>\$ 19,302,647</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	\$ 27,608,169	AA+	S&P
U.S. Treasuries	20,349,734	AA+	S&P
Oakland County - Investment pool	5,490,591	Not rated	S&P
Michigan CLASS - Investment pool	11,359,569	AAAm	S&P
Total	<u>\$ 64,808,063</u>		

Investment	Fair Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Mutual funds - Fixed income	\$ 6,037,903	A1	Moody's
Commingled funds - Fixed income	12,491,782	A1	Moody's
Investment pool	772,962	AA+	S&P
Total	<u>\$ 19,302,647</u>		

**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; 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 whereby 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.

December 31, 2019

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

The City has the following recurring fair value measurements as of December 31, 2019:

Assets and Liabilities Measured at Carrying Value on a Recurring Basis at December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
<b>Assets</b>				
Debt securities:				
U.S. Treasuries	\$ 20,349,734	\$ -	\$ -	\$ 20,349,734
U.S. government agency	-	28,067,986	-	28,067,986
Mutual funds - Fixed income	6,037,903	-	-	6,037,903
Total debt securities	26,387,637	28,067,986	-	54,455,623
Equity securities:				
Common stock	6,494,078	-	-	6,494,078
Foreign stock	414,093	-	-	414,093
Real estate stocks	1,742,789	-	-	1,742,789
Mutual funds - Equity	28,821,083	-	-	28,821,083
Total equity securities	37,472,043	-	-	37,472,043
Total investments by fair value level	<u>\$ 63,859,680</u>	<u>\$ 28,067,986</u>	<u>\$ -</u>	91,927,666
Investments measured at net asset value (NAV):				
Oakland County Local Government Investment Pool				5,490,591
Michigan CLASS - Investment pool				11,359,569
Commingled funds				19,468,304
Multistrategy hedge funds				5,609,851
Private real estate funds				7,874,720
Total investments measured at NAV				<u>49,803,035</u>
Total assets				<u>\$ 141,730,701</u>

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, 2019 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.

December 31, 2019

**Note 3 - Deposits and Investments (Continued)*****Investments in Entities that Calculate Net Asset Value per Share***

The City holds shares or interests in investment companies whereby 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, 2019, 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	\$ 5,490,591	\$ -	No restrictions	None
Michigan CLASS	11,359,569	-	No restrictions	None
Commingled funds	19,468,304	-	Daily - Monthly	Daily - 15 days
Multistrategy hedge funds	5,609,850	-	None - Quarterly	None - 95 days
Private real estate funds	7,874,720	806,420	None - Quarterly	None - 10 days
Total	<u>\$ 49,803,034</u>	<u>\$ 806,420</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 44 percent global stocks, 26 percent global fixed income, and 30 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.

**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 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 one to eight years. A total of 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 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 42 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.

December 31, 2019

#### Note 4 - Receivables

Receivables as of December 31, 2019 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	\$ 12,568,551	\$ -	\$ 1,235,224
Special assessments receivable	1,174,004	-	-
Customer receivables	885,010	3,697,727	-
Other receivables	79,281	-	-
Due from other governments	2,242,294	-	-
Net receivables	<u>\$ 16,949,140</u>	<u>\$ 3,697,727</u>	<u>\$ 1,235,224</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 \$30,000 that is reflective of donations made to the Foundation for the benefit of the City that are restricted for city capital projects. Additionally, restricted assets in the amount of \$522,885 are reflective of the unspent bond proceeds recorded in the Capital Projects Fund.

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 \$255,009. The County holds these monies 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 (Note 13)	\$ 998,174	\$ 84,564

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	\$ 17,761,267	\$ 17,761,267	\$ -	\$ 1,797,952
Special assessments - Unavailable	1,151,333	-	-	-
Grant and other revenue - Unavailable	434,599	-	-	-
Pension related (Note 12)	-	3,019,829	309,971	-
OPEB related (Note 13)	-	332,434	28,163	-
Total deferred inflows of resources	<u>\$ 19,347,199</u>	<u>\$ 21,113,530</u>	<u>\$ 338,134</u>	<u>\$ 1,797,952</u>

December 31, 2019

**Note 7 - Capital Assets**

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

**Governmental Activities**

	Balance January 1, 2019	Reclassifications	Additions	Disposals	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 5,648,991	\$ -	\$ -	\$ -	\$ 5,648,991
Construction in progress	2,941,163	(2,803,262)	2,340,182	(2,217)	2,475,866
Subtotal	8,590,154	(2,803,262)	2,340,182	(2,217)	8,124,857
Capital assets being depreciated:					
Roads	82,582,464	2,775,372	456,788	-	85,814,624
Storm drains	7,713,816	-	-	-	7,713,816
Buildings and improvements	20,272,929	-	12,142	-	20,285,071
Machinery and equipment	8,951,016	-	327,970	(2,326,681)	6,952,305
Vehicles	8,533,157	-	347,807	(1,583,416)	7,297,548
Office furnishings and equipment	1,330,132	-	-	(826,128)	504,004
Land improvements	612,870	27,890	929	-	641,689
Subtotal	129,996,384	2,803,262	1,145,636	(4,736,225)	129,209,057
Accumulated depreciation:					
Roads	36,633,502	-	2,202,194	-	38,835,696
Storm drains	2,348,926	-	153,893	-	2,502,819
Buildings and improvements	12,624,487	-	726,141	-	13,350,628
Machinery and equipment	8,060,448	-	537,471	(2,326,681)	6,271,238
Vehicles	6,662,845	-	601,675	(1,583,416)	5,681,104
Office furnishings and equipment	1,313,316	-	8,052	(826,128)	495,240
Land improvements	3,856	-	2,514	-	6,370
Subtotal	67,647,380	-	4,231,940	(4,736,225)	67,143,095
Net capital assets being depreciated	62,349,004	2,803,262	(3,086,304)	-	62,065,962
Net governmental activities capital assets	\$ 70,939,158	\$ -	\$ (746,122)	\$ (2,217)	\$ 70,190,819

December 31, 2019

# Note 7 - Capital Assets (Continued)

## Business-type Activities

	Balance January 1, 2019	Reclassifications	Additions	Disposals	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 8,325,776	\$ -	\$ -	\$ -	\$ 8,325,776
Construction in progress	3,662,152	(851,537)	2,843,909	-	5,654,524
Subtotal	11,987,928	(851,537)	2,843,909	-	13,980,300
Capital assets being depreciated:					
Water and sewer mains	91,339,646	851,537	1,200,061	-	93,391,244
Buildings and improvements	10,650,199	-	-	-	10,650,199
Machinery and equipment	3,122,372	-	49,514	(700)	3,171,186
Subtotal	105,112,217	851,537	1,249,575	(700)	107,212,629
Accumulated depreciation:					
Water and sewer mains	30,485,079	-	2,090,116	-	32,575,195
Buildings and improvements	6,482,797	-	392,379	-	6,875,176
Machinery and equipment	2,945,801	-	77,393	(700)	3,022,494
Subtotal	39,913,677	-	2,559,888	(700)	42,472,865
Net capital assets being depreciated	65,198,540	851,537	(1,310,313)	-	64,739,764
Net business-type activities capital assets	\$ 77,186,468	\$ -	\$ 1,533,596	\$ -	\$ 78,720,064

December 31, 2019

**Note 7 - Capital Assets (Continued)**

Capital asset activity for the City's component units at December 31, 2019 is as follows:

**Component Units**

	Balance January 1, 2019	Reclassifications	Additions	Disposals	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 7,856,676	\$ 280,891	\$ -	\$ -	\$ 8,137,567
Construction in progress	1,517,699	(1,500,173)	857,254	-	874,780
Subtotal	9,374,375	(1,219,282)	857,254	-	9,012,347
Capital assets being depreciated:					
Roads	36,127,776	342,633	-	-	36,470,409
Buildings and improvements	26,717,494	-	-	-	26,717,494
Office furniture and equipment	604,528	-	70,355	(262,651)	412,232
Land improvements	7,134,407	876,649	533,154	-	8,544,210
Subtotal	70,584,205	1,219,282	603,509	(262,651)	72,144,345
Accumulated depreciation:					
Roads	10,935,123	-	959,416	-	11,894,539
Buildings and improvements	8,387,873	-	684,106	-	9,071,979
Office furniture and equipment	558,631	-	22,335	(262,651)	318,315
Land improvements	3,025,768	-	343,573	-	3,369,341
Subtotal	22,907,395	-	2,009,430	(262,651)	24,654,174
Net capital assets being depreciated	47,676,810	1,219,282	(1,405,921)	-	47,490,171
Net component units capital assets	<u>\$ 57,051,185</u>	<u>\$ -</u>	<u>\$ (548,667)</u>	<u>\$ -</u>	<u>\$ 56,502,518</u>

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

Governmental activities:	
General government	\$ 157,333
Public safety	314,439
Public works	2,816,063
Health, welfare, and community development	13,799
Internal service	930,306
Total governmental activities	<u>\$ 4,231,940</u>
Business-type activities:	
Water & Sewer Fund	\$ 2,269,589
Fieldstone Golf Club Fund	290,299
Total business-type activities	<u>\$ 2,559,888</u>
Component unit activities:	
TIFA A	\$ 347,495
TIFA B	839,806
TIFA D	822,129
Total component unit activities	<u>\$ 2,009,430</u>

December 31, 2019

## Note 7 - Capital Assets (Continued)

### 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:

	Spent to Date	Remaining Commitment
Auburn Road and Watermain	\$ 114,000	\$ 4,674,000
North Squirrel Road	156,000	1,800,000
Total	<u>\$ 270,000</u>	<u>\$ 6,474,000</u>

## 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, 2019 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	\$ 87,658	\$ -	\$ (5,000)	\$ 82,658	\$ 5,000
State Revolving Fund Loan - Storm Water Management Galloway Drain (1)	2.50%	\$45,000 - \$60,000	615,000	-	(45,000)	570,000	45,000
Total direct borrowings and direct placements principal outstanding			702,658	-	(50,000)	652,658	50,000
Other debt:							
Capital Improvement Bonds, Series 2017 (LTGO) (2)	3.00%	\$385,000 - \$550,000	6,420,000	-	(375,000)	6,045,000	385,000
Special Assessment Bonds, Series 2017 (LTGO) (3)	2.0-2.25%	\$165,000 - \$175,000	1,540,000	-	(175,000)	1,365,000	175,000
Total other debt principal outstanding			7,960,000	-	(550,000)	7,410,000	560,000
Unamortized bond premiums			289,815	-	(22,569)	267,246	-
Total bonds payable			8,952,473	-	(622,569)	8,329,904	610,000
Compensated absences			1,584,685	316,375	(228,361)	1,672,699	233,888
Total governmental activities long-term debt			<u>\$ 10,537,158</u>	<u>\$ 316,375</u>	<u>\$ (850,930)</u>	<u>\$ 10,002,603</u>	<u>\$ 843,888</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.

December 31, 2019

# Note 8 - Long-term Debt (Continued)

(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.

## 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%	\$41,158 - \$54,878	\$ 608,781	\$ -	\$ (40,001)	\$ 568,780	\$ 41,158
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2010B (4)	1.5-5.9%	\$10,248 - \$17,191	157,195	-	(9,752)	147,443	10,248
Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2011A Segment 2 (5)	1.5-5.9%	\$47,083 - \$63,318	814,906	-	(45,865)	769,041	47,083
Oakland-Macomb Interceptor Drain - Financing Source not finalized by Oakland County for OMID 2013A Segment 3 (6)	2.00%	\$102,750 - \$133,395	1,874,860	-	(100,667)	1,774,193	102,750
State Revolving Fund Loan - Sanitary Sewer Rehabilitation (7)	2.50%	\$60,000 - \$70,000	770,000	-	(55,000)	715,000	60,000
Clinton River Water Resource Recover Facility - Drainage District Drain Bond, Series 2017 (SRF) (8)	2.50%	\$92,556 - \$138,050	914,549	1,123,526	(90,203)	1,947,872	92,556
Total direct borrowings and direct placements principal outstanding			5,140,291	1,123,526	(341,488)	5,922,329	353,795
Total bonds and contracts payable			5,140,291	1,123,526	(341,488)	5,922,329	353,795
Compensated absences			104,362	-	(25,497)	78,865	12,821
Total business-type activities long-term debt			\$ 5,244,653	\$ 1,123,526	\$ (366,985)	\$ 6,001,194	\$ 366,616

(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.

December 31, 2019

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

(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, 2019. The final payment related to this debt is expected in 2038.

### 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 (9)	1.50%	\$47,232-\$54,814	\$ 572,750	\$ -	\$ (12,429)	\$ 560,321	\$ 54,814

(9) 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.

December 31, 2019

# Note 8 - Long-term Debt (Continued)

## 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	
2020	\$ 50,000	\$ 15,691	\$ 560,000	\$ 201,949	\$ 827,640	\$ 353,795	\$ 141,812	\$ 495,607
2021	50,000	14,441	575,000	186,674	826,115	360,936	135,539	496,475
2022	55,000	13,129	585,000	171,024	824,153	367,875	124,530	492,405
2023	55,000	11,754	595,000	155,049	816,803	375,550	115,501	491,051
2024	55,000	10,379	605,000	138,749	809,128	383,587	106,259	489,846
2025-2029	317,658	28,971	2,885,000	440,223	3,671,852	2,085,277	382,170	2,467,447
2030-2034	70,000	875	1,605,000	73,125	1,749,000	1,711,489	142,029	1,853,518
2035-2039	-	-	-	-	-	283,820	7,851	291,671
Total	\$ 652,658	\$ 95,240	\$ 7,410,000	\$ 1,366,793	\$ 9,524,691	\$ 5,922,329	\$ 1,155,691	\$ 7,078,020

Years Ending December 31	Component Unit Activities		
	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2020	\$ 54,814	\$ -	\$ 54,814
2021	47,232	7,583	54,815
2022	47,940	6,874	54,814
2023	48,659	6,155	54,814
2024	49,839	5,425	55,264
2025-2029	258,283	15,788	274,071
2030-2034	53,554	810	54,364
2035-2039	-	-	-
Total	\$ 560,321	\$ 42,635	\$ 602,956

## 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, 2019, 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.

December 31, 2019

## Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Internal service fund - Retiree Health Care Fund	General Fund	\$ 3,728
	Major and Local Streets Fund	296
	Water & Sewer Fund	296
	Total internal service fund - Retiree Health Care Fund	4,320
General Fund	CDBG Fund	4,500
	Total	<u>\$ 8,820</u>

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

Fund Borrowed From	Fund Loaned To	Amount
TIFA B	Downtown Development Authority	\$ 160,000

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.

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Major and Local Streets Fund	\$ 1,424,089
	Capital Improvement Debt Service Fund	561,975
	Total General Fund	1,986,064
Wayne-Oakland Disposal Fund	Major and Local Streets Fund	210,000
	Total	<u>\$ 2,196,064</u>

The transfers from the General Fund to the Major and Local Streets Fund were 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 necessary for debt service payments. The transfer from the Wayne-Oakland Disposal Fund to the Major and Local Streets Fund was made to support additional local street maintenance expenditure.

## 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.

December 31, 2019

## Note 10 - Risk Management (Continued)

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 (NOCWA), 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, 2019, the City contributed \$4,515,303 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, 2019.

## 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 is required to contribute 4 percent of total salaries for employees who contribute 3 percent. Employees are permitted to make contributions to the plan up to applicable Internal Revenue Code limits. At December 31, 2019, there were 21 active employee participants.

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, 2019, there were 191 active employee participants.

In accordance with these defined contribution plan requirements, for both plans, the City contributed \$1,238,806 during the current year and employees contributed \$1,044,889. Employees are fully vested after five years of service in each plan.

December 31, 2019

## Note 12 - Pension Plans (Continued)

### 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, 2019

**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, 2019
Inactive plan members or beneficiaries currently receiving benefits	123
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	16
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, 2019, the City made the actuarially determined contribution of \$1,230,563, 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, 2019 as its measurement date for the net pension liability. The December 31, 2019 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, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2018 that has used procedures to roll the information forward to the measurement date.

December 31, 2019

**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, 2019</b>	\$ 70,151,637	\$ 48,720,478	\$ 21,431,159
Changes for the year:			
Service cost	443,110	-	443,110
Interest	3,840,887	-	3,840,887
Differences between expected and actual experience	1,082,585	-	1,082,585
Changes in assumptions	(1,394,259)	-	(1,394,259)
Contributions - Employer	-	1,702,433	(1,702,433)
Contributions - Employee	-	81,344	(81,344)
Net investment income	-	8,950,504	(8,950,504)
Benefit payments, including refunds	(3,821,541)	(3,821,541)	-
Administrative expenses	-	(73,524)	73,524
Net changes	150,782	6,839,216	(6,688,434)
<b>Balance at December 31, 2019</b>	<u>\$ 70,302,419</u>	<u>\$ 55,559,694</u>	<u>\$ 14,742,725</u>

The plan's fiduciary net position represents 79.03 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, 2019, the City recognized pension expense of \$192,899, exclusive of the defined contribution plan expenses described above.

At December 31, 2019, 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	\$ -	\$ 3,329,800

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
2020	\$ (922,440)
2021	(920,275)
2022	(316,627)
2023	(1,170,458)
Total	<u>\$ (3,329,800)</u>

December 31, 2019

**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): 6.25 percent
- Mortality rates: RP-2014 with Generational Mortality Scale MP-2018
- 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 5.58 percent in the December 31, 2019 valuation. 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 2044, after which time the Bond Buyer General Obligation 20-Year Bond Municipal Bond Index rate of 2.74 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, 2019 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 %	4.76 %
Domestic small-/mid-cap equity	10.00	5.25
International equity	15.00	5.41
Domestic bonds	30.00	2.01
Real estate	10.00	4.53
Alternative investments	10.00	3.89

***Rate of Return***

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 18.96 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

December 31, 2019

**Note 12 - Pension Plans (Continued)*****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 5.58 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 (4.58 percent) or 1 percentage point higher (6.58 percent) than the current rate:

	1 Percentage Point Decrease (4.58%)	Current Discount Rate (5.58%)	1 Percentage Point Increase (6.58%)
Net pension liability of the City of Auburn Hills Employee Pension Plan	\$ 23,520,457	\$ 14,742,725	\$ 7,467,075

***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 5.59 to 5.58 percent for the December 31, 2019 valuation.
- Mortality rates were based on the RP-2014 with Generational Mortality Scale MP-2017 for December 31, 2018. For the December 31, 2019 valuation, the RP-2014 with Generational Mortality Scale MP-2018 table was used.
- The expected long-term rate of return decreased from 6.50 to 6.25 percent for the December 31, 2019 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 employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the Retiree Health Care 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).

December 31, 2019

Note 13 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

The Auburn Hills Retiree Health Care Plan provides healthcare, 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, 2019
Inactive plan members or beneficiaries currently receiving benefits	106
Active plan members	75
Total plan members	181

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, 2019, the City paid postemployment healthcare premiums of \$1,310,654, plus it contributed \$1,500,000 into a prefunded retiree healthcare 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 \$16,253,682 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 \$15,816,612 at December 31, 2019. At December 31, 2019, the City's proportionate share was 97.4 percent, based on the City's number of plan members as a percentage of the plan's total members. At December 31, 2018, the prior measurement date, the City's proportionate share was 97.3 percent, or a 0.1 percent change.

The City has chosen to use the December 31, 2019 measurement date as its measurement date for the net OPEB liability. The December 31, 2019 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, 2019 measurement date. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018, which used updated procedures to roll forward the liability to December 31, 2019.

December 31, 2019

**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, 2018</b>	\$ 36,023,443	\$ 18,483,521	\$ 17,539,922
Changes for the year:			
Service cost	799,084	-	799,084
Interest	2,351,538	-	2,351,538
Differences between expected and actual experience	77,702	-	77,702
Changes in assumptions	1,355,786	-	1,355,786
Contributions - Employer	-	2,810,654	(2,810,654)
Net investment income	-	3,059,696	(3,059,696)
Benefit payments, including refunds	(1,310,654)	(1,310,654)	-
Net changes	3,273,456	4,559,696	(1,286,240)
<b>Balance at December 31, 2019</b>	<u>\$ 39,296,899</u>	<u>\$ 23,043,217</u>	<u>\$ 16,253,682</u>

The plan's fiduciary net position represents 58.6 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, 2019, the City recognized OPEB expense of \$2,275,559.

At December 31, 2019, 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	\$ 54,676	\$ -
Changes in assumptions	1,028,062	-
Net difference between projected and actual earnings on OPEB plan investments	-	360,597
Total	<u>\$ 1,082,738</u>	<u>\$ 360,597</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
2020	\$ 423,940
2021	423,940
2022	226,865
2023	(352,604)
Total	<u>\$ 722,141</u>

December 31, 2019

**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 6.25 percent; a healthcare cost trend rate of 8.2 percent for 2019, decreasing to an ultimate rate of 4.1 percent over 72 years for pre-Medicare participants and a healthcare 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; and the RP-2014 mortality tables with MP-2018 Generational Mortality.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.25 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, 2019 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 %	2.01 %
Domestic large-cap equity	20.00	4.76
Domestic small-/mid-cap equity	15.00	5.25
International equity	15.00	5.41
Real estate	10.00	4.53
Alternative investments	10.00	3.89

***Rate of Return***

For the year ended December 31, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 16.07 percent. The money-weighted rate of return expresses investment performance, net of investment, adjusted for the changing amounts actually invested.

December 31, 2019

**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 6.25 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 (5.25 Percent)	Current Discount Rate (6.25 Percent)	1 Percentage Point Increase (7.25 Percent)
Net OPEB liability of the Auburn Hills Retiree Health Care Plan	\$ 21,949,353	\$ 16,233,682	\$ 11,590,921
City's proportionate share of the Net OPEB liability of the Auburn Hills Retiree Health Care Plan	21,385,438	15,816,612	11,293,131

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

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

	1 Percentage Point Decrease	Current Healthcare Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the Auburn Hills Retiree Health Care Plan	\$ 10,990,032	\$ 16,233,682	\$ 22,763,328
City's proportionate share of the Net OPEB liability of the Auburn Hills Retiree Health Care Plan	10,707,680	15,816,612	22,178,501

***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 6.50 to 6.25 percent for the December 31, 2019 valuation.
- Mortality rates were based on the RP-2014 with Generational Mortality Scale MP-2018 for December 31, 2019. For the December 31, 2018 valuation, the RP-2014 with Generational Mortality Scale MP-2017 table was used.
- The expected long-term rate of return decreased from 6.50 to 6.25 percent for the December 31, 2019 valuation.
- The healthcare cost trend rate was updated from 6.0 percent decreasing 0.1 percent to an ultimate rate of 5.0 percent used in previous valuations. For the December 31, 2019 valuation, the healthcare cost trend rate was updated to 8.2 percent for 2019, decreasing to an ultimate rate of 4.1 percent over 72 years for pre-Medicare participants and a healthcare 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.

December 31, 2019

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

- The excise tax (Cadillac tax) was removed for the December 31, 2019 valuation, due to the repeal from the Affordable Care Act.

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

The City provides retiree healthcare benefits to employees ineligible for the defined benefit retiree healthcare 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 fire, ASFCME, and the police command, detective, 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, 2019, the City made contributions of \$90,559, and the plan members contributed \$126,362 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 healthcare plans:

	Pension Trust Fund	Retiree Health Care Trust Fund	Total
<b>Statement of Net Position</b>			
Cash and cash equivalents	\$ 1,257,218	\$ 47,846	\$ 1,305,064
Investments	53,474,788	22,988,035	76,462,823
Other assets	827,688	7,336	835,024
Net position	<u>\$ 55,559,694</u>	<u>\$ 23,043,217</u>	<u>\$ 78,602,911</u>
<b>Statement of Changes in Net Position</b>			
Investment income	\$ 9,090,325	\$ 3,104,527	\$ 12,194,852
Contributions	1,784,956	2,810,654	4,595,610
Benefit payments/Medical expenses	(3,822,720)	(1,310,654)	(5,133,374)
Investment-related expenses	(213,345)	(44,832)	(258,177)
Net change in net position	<u>\$ 6,839,216</u>	<u>\$ 4,559,695</u>	<u>\$ 11,398,911</u>

December 31, 2019

## 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 2019 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, 2019, the City abated approximately \$565,000 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, 2019, the City abated approximately \$27,000 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, 2019, the City abated approximately \$33,000 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, 2019, the Brownfield Redevelopment Authority captured approximately \$83,000 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 \$380,000 to developers during the year.

December 31, 2019

### Note 17 - Change in Accounting Principle

During the current year, the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the accounting for custodial funds has changed. Beginning net position in custodial funds, specifically the Auburn Hills Public Library Investment Pool, was restated to \$1,270,763. The impact on the prior year changes in net position could not be determined.

### Note 18 - Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus, COVID-19, a pandemic. U.S. and global economies reacted negatively in response to worldwide concerns due to the economic impacts of COVID-19 pandemic. The COVID-19 pandemic is going to negatively impact the fiscal health of the City of Auburn Hills, Michigan in 2020 and beyond with expected declines in various revenue. The State has provided preliminary estimates in reductions of state-shared revenue, ACT 51 revenue, and other grant support. While support may be given for some of the additional expenses related to employee time off and other operational expenses related to the COVID-19 impact, it is unclear what will be approved and when that funding may be received.

There will be costs associated with employee/visitor accommodations to provide safety and limit exposure between coworkers and the community at large. There will be increased costs necessary for information technology, both hardware and software, to foster faster and more secure, virtual communication and remote work situations that were not previously required and, in some cases, even allowed. Other costs, such as additional time spent on understanding, implementing and documenting new procedure and policies, will continue to mount, as will the costs associated with redeveloping services. Investments, guided by Public Act 20, are conservative by nature, but could be without growth, thus impacting longer-term liabilities such as legacy costs. The investments reported by the pension and retiree health care trust funds have incurred declines in fair value, consistent with the general decline in the financial markets. The long-term effects are unknown at this point.

Property taxes will surely be affected. The impact may not be noticed immediately, but by 2022 we could see property values drop similarly to those in 2012 when the 2008 economic recession reset the values to historic lows. Cash flow will likely be behind due to the impact of the pandemic on our property owners and utility customers. Waived penalties and interest in the spirit of community support will not be recouped. A significant increase in appeals to the Michigan Tax Tribunal can be expected as commercial and industrial property owners seek to mitigate their losses through a reduction to their taxable values. In fact, one prominent business owner in our community has already informed us of his intent to file such appeals on numerous properties that he owns and operates in the City. In the current fiscal year, significant immediate reductions in the hundreds of thousands of dollars are being anticipated for site plan and building permit fees as developers and businesses alike postpone or cancel plans for expansions of existing buildings or construction of new ones. Income from community facilities, such as banquet and meeting rooms in the community center and pavilions within our parks, has already been lost and will continue for as long as gatherings are not permitted.

Until all the relief promises to small businesses and individuals are expended and the “new” normal is clearly defined and routine, the City of Auburn Hills, Michigan will likely have to consider tax increases to maintain its level of services. It is too soon to evaluate the financial impact with a reasonable estimate; however, it is reasonable to expect that reductions in spending will have to be considered to balance the inevitable decline in all sources of revenue.

---

## Required Supplemental Information

---

Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 17,030,710	\$ 17,024,858	\$ 17,075,413	\$ 50,555
Special assessments	37,200	36,500	45,687	9,187
Intergovernmental	4,238,075	4,226,432	4,056,206	(170,226)
Charges for services:				
Construction code fees	941,200	1,477,100	1,837,437	360,337
Charges to other funds	2,723,581	2,922,136	2,922,136	-
User fees	582,997	579,309	573,600	(5,709)
Service charge	1,117,500	1,239,000	1,324,569	85,569
Fines and forfeitures	118,920	322,723	298,549	(24,174)
Licenses and permits	525,650	554,150	612,857	58,707
Investment income	208,300	806,000	827,522	21,522
Other revenue:				
Donations	45,700	41,932	59,919	17,987
Other miscellaneous income	344,706	608,893	712,380	103,487
<b>Total revenue</b>	<b>27,914,539</b>	<b>29,839,033</b>	<b>30,346,275</b>	<b>507,242</b>
<b>Expenditures</b>				
Current services:				
General government:				
City Council	138,490	146,477	127,760	18,717
City manager	941,401	932,094	909,485	22,609
Information services	561,972	546,386	365,594	180,792
Finance/Treasurer	728,261	654,324	633,198	21,126
Assessing	618,293	576,693	563,057	13,636
Clerk	400,025	359,856	336,139	23,717
Facilities	2,634,805	2,831,140	1,985,290	845,850
Human resources	292,502	280,917	236,692	44,225
Pension board	93,630	88,054	80,243	7,811
Parks and grounds	1,589,952	1,706,023	1,615,492	90,531
General administration	2,846,825	3,313,962	3,248,928	65,034
Public safety:				
Police - Patrol	6,928,469	7,300,046	7,231,867	68,179
Fire - Suppression	3,485,481	3,509,821	3,356,663	153,158
Fire - Prevention	317,242	310,029	302,957	7,072
Police administration	1,582,890	1,600,213	1,557,786	42,427
Fire administration	478,868	513,922	507,821	6,101
Building services	1,087,959	1,281,009	1,337,801	(56,792)
Public works:				
Storm water management	236,916	726,927	377,381	349,546
DPW management services	633,781	716,797	676,035	40,762
Community and economic development:				
Community Development Administration	253,800	253,794	247,233	6,561
Senior citizens	527,841	508,866	423,330	85,536
Grant expenditures - SMART	46,695	51,886	60,938	(9,052)
Recreation and culture - Recreation	588,450	618,978	572,502	46,476
Debt service	66,942	66,942	66,941	1
<b>Total expenditures</b>	<b>27,081,490</b>	<b>28,895,156</b>	<b>26,821,133</b>	<b>2,074,023</b>
<b>Excess of Revenue Over Expenditures</b>	<b>833,049</b>	<b>943,877</b>	<b>3,525,142</b>	<b>2,581,265</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	(6,231,975)	(2,011,975)	(1,986,064)	25,911
<b>Total other financing uses</b>	<b>(6,181,975)</b>	<b>(1,961,975)</b>	<b>(1,986,064)</b>	<b>(24,089)</b>
<b>Net Change in Fund Balance</b>	<b>(5,348,926)</b>	<b>(1,018,098)</b>	<b>1,539,078</b>	<b>2,557,176</b>
<b>Fund Balance - Beginning of year</b>	<b>31,253,938</b>	<b>31,253,938</b>	<b>31,253,938</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 25,905,012</b>	<b>\$ 30,235,840</b>	<b>\$ 32,793,016</b>	<b>\$ 2,557,176</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, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental	\$ 2,320,016	\$ 2,369,372	\$ 2,471,340	\$ 101,968
Investment income	-	3	4,681	4,678
Other revenue:				
Capital contributions	-	605,438	-	(605,438)
Other miscellaneous income	22,000	29,500	73,862	44,362
Total revenue	2,342,016	3,004,313	2,549,883	(454,430)
<b>Expenditures - Current - Public works</b>	8,048,956	4,532,065	4,128,230	403,835
<b>Excess of Expenditures Over Revenue</b>	(5,706,940)	(1,527,752)	(1,578,347)	(50,595)
<b>Other Financing Sources - Transfers in</b>	5,815,000	2,500,000	1,634,089	(865,911)
<b>Net Change in Fund Balance</b>	108,060	972,248	55,742	(916,506)
<b>Fund Balance - Beginning of year</b>	754,627	754,627	754,627	-
<b>Fund Balance - End of year</b>	<u><u>\$ 862,687</u></u>	<u><u>\$ 1,726,875</u></u>	<u><u>\$ 810,369</u></u>	<u><u>\$ (916,506)</u></u>

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

	Last Six Fiscal Years*					
	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 443,110	\$ 624,297	\$ 591,358	\$ 842,510	\$ 809,483	\$ 381,691
Interest	3,840,887	3,873,213	3,664,089	3,459,438	3,369,628	3,509,763
Differences between expected and actual experience	1,082,585	-	290,536	(1,807,601)	489,295	72,377
Changes in assumptions	(1,394,259)	(1,437,482)	5,467,388	(9,027,540)	(578,372)	1,533,771
Benefit payments, including refunds	(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>	150,782	(533,568)	6,250,647	(9,723,034)	1,033,435	2,835,800
<b>Total Pension Liability - Beginning of year</b>	70,151,637	70,685,205	64,434,558	74,157,592	73,124,157	70,288,357
<b>Total Pension Liability - End of year</b>	<b>\$ 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	\$ 1,702,433	\$ 765,611	\$ 1,034,387	\$ 1,093,400	\$ 476,733	\$ 472,439
Contributions - Member	81,344	115,417	106,629	108,915	126,708	148,282
Net investment income (loss)	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	(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>	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>	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>\$ 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>\$ 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>	79.03 %	69.45 %	74.08 %	75.75 %	64.65 %	66.69 %
<b>Covered Payroll</b>	\$ 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>	1,019.40 %	1,283.95 %	1,025.04 %	766.39 %	1,164.77 %	1,146.59 %

\*10 years of data is required; however, only six 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

	2019	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,230,563	\$ 765,611	\$ 1,034,387	\$ 1,093,400	\$ 474,821	\$ 422,149	\$ 675,872	\$ 752,445	\$ 795,296	\$ 1,123,301
Contributions in relation to the actuarially determined contribution	1,730,563	765,611	1,034,387	1,093,400	476,733	472,439	677,224	821,670	1,095,918	1,541,169
<b>Contribution Excess</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>\$ 417,868</b>
<b>Covered Payroll</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>\$ 3,747,622</b>
<b>Contributions as a Percentage of Covered Payroll</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>	<b>41.12 %</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	6.50 percent, net of pension plan investment expense
Mortality	RP-2014 Total Dataset Mortality Table adjusted to base year 2006, with separate tables for male and females and fully generational projection scale per MP-2018
Other information	The asset valuation method was changed to a five-year asset smoothing method.
	Salary scale assumption was reduced from 4.5 percent to 3.5 percent to reflect actual and anticipated experience
	The discount rate was reduced from 7.25 percent to 6.5 percent to align with the expected return on assets supported by the investment policy
	The actuarial cost method was changed from aggregate to entry age normal

## City of Auburn Hills, Michigan

### Required Supplemental Information Schedule of Pension Investment Returns

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

\*10 years of data is required; however, only six 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 Three Fiscal Years*		
	2019	2018**	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 799,084	\$ 778,931	\$ 1,012,637
Interest	2,351,538	2,252,089	2,652,607
Differences between expected and actual experience	77,702	(781,920)	(781,920)
Changes in assumptions	1,355,786	180,873	600,606
Benefit payments, including refunds	(1,310,654)	(1,354,238)	(1,304,387)
<b>Net Change in Total OPEB Liability</b>	3,273,456	1,075,735	2,179,543
<b>Total OPEB Liability - Beginning of year</b>	36,023,443	34,165,788	39,915,088
<b>Total OPEB Liability - End of year</b>	<b>\$ 39,296,899</b>	<b>\$ 35,241,523</b>	<b>\$ 42,094,631</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 2,810,654	\$ 2,354,238	\$ 1,604,387
Net investment income (loss)	3,059,696	(576,455)	1,866,867
Benefit payments, including refunds	(1,310,654)	(1,354,238)	(1,304,387)
<b>Net Change in Plan Fiduciary Net Position</b>	4,559,696	423,545	2,166,867
<b>Plan Fiduciary Net Position - Beginning of year</b>	18,483,521	18,059,976	15,893,109
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 23,043,217</b>	<b>\$ 18,483,521</b>	<b>\$ 18,059,976</b>
<b>Net OPEB Liability - Ending</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>	58.64 %	52.45 %	42.90 %

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 three 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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 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	\$ 1,219,653
Contributions in relation to the actuarially determined contribution	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	1,357,025
<b>Contribution Excess (Deficiency)</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>	<b>\$ 137,372</b>

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

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	30 years
Asset valuation method	Five-year smoothing
Inflation	2.25 percent
Healthcare cost trend rates	Pre-Medicare 8.2 percent graded down to 4.1 percent over 72 years; post-Medicare 8.5 percent graded down to 4.3 percent over 68 years
Salary increase	3.50 percent
Investment rate of return	6.50 percent
Mortality	RP-2014 With Generational Mortality Scale MP-2018
	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 8.2 percent grading down to an ultimate inflation rate of 4.1 percent after 72 years for pre-Medicare and an initial inflation of 8.5 percent grading down to an ultimate inflation rate of 4.3 percent after 68 years for post-Medicare.
	The salary scale assumption was reduced from 5.0 percent to 3.5 percent to better reflect actual and anticipated experience.
Other information	The discount rate was reduced from 7.25 percent to 6.50 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 Three Fiscal Years		
	Plan Years Ended December 31		
	2019	2018	2017
City's proportion of the net OPEB liability	97.43084 %	97.34332 %	98.92754 %
City's proportionate share of the net OPEB liability	\$ 15,816,612	\$ 17,073,942	\$ 18,319,047
City's covered employee payroll	\$ 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	247.36 %	253.03 %	255.35 %
Plan fiduciary net position as a percentage of total OPEB liability	58.67 %	51.31 %	52.86 %

Required Supplemental Information  
Schedule of OPEB Investment Returns

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

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

**December 31, 2019*****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 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.

***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	\$ 1,281,009	\$ 1,337,801	\$ (56,792)
Grant expenditures - SMART	51,886	60,938	(9,052)

***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, and 6.25 percent in 2019.
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
3. The single discount rate was 5.83 percent in 2016 and prior years, 5.57 percent in 2017, 5.59 percent in 2018, and 5.58 percent in 2019.

**December 31, 2019**

***OPEB Information***

**Changes in Assumptions**

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

---

## Other Supplemental Information

---

## 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	\$ 222,729	\$ 550,321	\$ 831,424	\$ 114,529	\$ 24
Receivables:					
Special assessments receivable	-	-	-	-	-
Due from other governments	-	-	-	-	26,868
Restricted assets - Restricted cash	-	-	-	-	-
<b>Total assets</b>	<b>\$ 222,729</b>	<b>\$ 550,321</b>	<b>\$ 831,424</b>	<b>\$ 114,529</b>	<b>\$ 26,892</b>
<b>Liabilities</b>					
Accounts payable	\$ 18,205	\$ 5,737	\$ 32,411	\$ 7,135	\$ -
Due to other funds	-	-	-	-	4,500
Refundable deposits and bonds	-	-	97,450	-	-
Payable from restricted assets	-	-	-	-	-
<b>Total liabilities</b>	<b>18,205</b>	<b>5,737</b>	<b>129,861</b>	<b>7,135</b>	<b>4,500</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>18,205</b>	<b>5,737</b>	<b>129,861</b>	<b>7,135</b>	<b>4,500</b>
<b>Fund Balances</b>					
Restricted:					
Police grants and forfeitures	-	-	-	107,394	-
Debt service	-	-	-	-	-
Metro act	204,524	-	-	-	-
Capital projects	-	-	-	-	-
Tree ordinance	-	-	701,563	-	-
Community development block grant	-	-	-	-	22,392
Committed	-	544,584	-	-	-
<b>Total fund balances</b>	<b>204,524</b>	<b>544,584</b>	<b>701,563</b>	<b>107,394</b>	<b>22,392</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 222,729</b>	<b>\$ 550,321</b>	<b>\$ 831,424</b>	<b>\$ 114,529</b>	<b>\$ 26,892</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

**December 31, 2019**

Debt Service Funds		Capital Project Fund	
Special Assessment Debt Service	Capital Improvement Debt Service	Capital Projects	Total
\$ 239,413	\$ -	\$ -	\$ 1,958,440
1,158,210	-	-	1,158,210
-	-	-	26,868
-	-	522,885	522,885
<b>\$ 1,397,623</b>	<b>\$ -</b>	<b>\$ 522,885</b>	<b>\$ 3,666,403</b>
\$ -	\$ -	\$ -	\$ 63,488
-	-	-	4,500
-	-	-	97,450
-	-	218,977	218,977
-	-	218,977	384,415
1,131,395	-	-	1,131,395
1,131,395	-	218,977	1,515,810
-	-	-	107,394
266,228	-	-	266,228
-	-	-	204,524
-	-	303,908	303,908
-	-	-	701,563
-	-	-	22,392
-	-	-	544,584
266,228	-	303,908	2,150,593
<b>\$ 1,397,623</b>	<b>\$ -</b>	<b>\$ 522,885</b>	<b>\$ 3,666,403</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	-	-	-	-	50,939
State sources - State-shared revenue	72,847	-	-	-	-
Charges for services	-	310,389	194,600	-	-
Fines and forfeitures	-	-	-	42,569	-
Investment income	5,725	6,801	17,061	289	36
<b>Total revenue</b>	<b>78,572</b>	<b>317,190</b>	<b>211,661</b>	<b>42,858</b>	<b>50,975</b>
<b>Expenditures</b>					
Current services:					
Public safety	-	-	-	49,900	-
Public works	199,001	34,208	119,729	-	-
Community and economic development	-	-	-	-	47,423
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>199,001</b>	<b>34,208</b>	<b>119,729</b>	<b>49,900</b>	<b>47,423</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(120,429)</b>	<b>282,982</b>	<b>91,932</b>	<b>(7,042)</b>	<b>3,552</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(210,000)	-	-	-
<b>Total other financing (uses) sources</b>	<b>-</b>	<b>(210,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(120,429)</b>	<b>72,982</b>	<b>91,932</b>	<b>(7,042)</b>	<b>3,552</b>
<b>Fund Balances - Beginning of year</b>	<b>324,953</b>	<b>471,602</b>	<b>609,631</b>	<b>114,436</b>	<b>18,840</b>
<b>Fund Balances - End of year</b>	<b>\$ 204,524</b>	<b>\$ 544,584</b>	<b>\$ 701,563</b>	<b>\$ 107,394</b>	<b>\$ 22,392</b>

Other Supplemental Information

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

Nonmajor Governmental Funds

Year Ended December 31, 2019

Debt Service Funds		Capital Project Fund	
Special Assessment Debt Service	Capital Improvement Debt Service	Capital Projects	Total
\$ 214,548	\$ -	\$ -	\$ 214,548
-	-	-	50,939
-	-	-	72,847
-	-	-	504,989
-	-	-	42,569
3,754	-	11,681	45,347
218,302	-	11,681	931,239
-	-	-	49,900
-	-	232,961	585,899
-	-	-	47,423
175,000	375,000	-	550,000
29,875	186,975	-	216,850
204,875	561,975	232,961	1,450,072
13,427	(561,975)	(221,280)	(518,833)
-	561,975	-	561,975
-	-	-	(210,000)
-	561,975	-	351,975
13,427	-	(221,280)	(166,858)
252,801	-	525,188	2,317,451
<b>\$ 266,228</b>	<b>\$ -</b>	<b>\$ 303,908</b>	<b>\$ 2,150,593</b>

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

**December 31, 2019**

	Fleet Management	Retiree Health Care	Total Internal Service Funds
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 4,960,625	\$ 1,235,088	\$ 6,195,713
Receivables	3,707	-	3,707
Due from other funds	-	4,320	4,320
Prepaid expenses and other assets	2,969	1,163	4,132
Total current assets	4,967,301	1,240,571	6,207,872
Noncurrent assets - Capital assets subject to depreciation - Net	2,076,458	-	2,076,458
Total assets	7,043,759	1,240,571	8,284,330
<b>Deferred Outflows of Resources</b> - Deferred OPEB costs	5,636	-	5,636
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	69,788	-	69,788
Accrued liabilities and other	4,037	466	4,503
Compensated absences	3,193	-	3,193
Total current liabilities	77,018	466	77,484
Noncurrent liabilities:			
Compensated absences	16,962	-	16,962
Net OPEB obligation	82,318	-	82,318
Total noncurrent liabilities	99,280	-	99,280
Total liabilities	176,298	466	176,764
<b>Deferred Inflows of Resources</b> - Deferred OPEB cost reductions	1,877	-	1,877
<b>Net Position</b>			
Net investment in capital assets	2,076,458	-	2,076,458
Unrestricted	4,794,762	1,240,105	6,034,867
Total net position	<u>\$ 6,871,220</u>	<u>\$ 1,240,105</u>	<u>\$ 8,111,325</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, 2019

	Fleet Management	Retiree Health Care	Total Internal Service Funds
<b>Operating Revenue</b>			
Other operating income	\$ 12,533	\$ -	\$ 12,533
Charges to other funds	2,774,727	2,873,529	5,648,256
Total operating revenue	2,787,260	2,873,529	5,660,789
<b>Operating Expenses</b>			
Supplies	423,581	-	423,581
OPEB recovery	(63,713)	-	(63,713)
Contracted services	115,754	46,179	161,933
Salaries and wages	117,760	-	117,760
Fringe benefits	49,542	2,837,828	2,887,370
Other operating expenses	503,494	-	503,494
Depreciation	930,306	-	930,306
Total operating expenses	2,076,724	2,884,007	4,960,731
<b>Operating Income (Loss)</b>	710,536	(10,478)	700,058
<b>Nonoperating Revenue</b>			
Investment income	95,179	3,863	99,042
Gain on sale of assets	135,268	-	135,268
Total nonoperating revenue	230,447	3,863	234,310
<b>Income (Loss) - Before capital contributions</b>	940,983	(6,615)	934,368
<b>Capital Contributions - Donations</b>	49,735	-	49,735
<b>Change in Net Position</b>	990,718	(6,615)	984,103
<b>Net Position - Beginning of year</b>	5,880,502	1,246,720	7,127,222
<b>Net Position - End of year</b>	<b>\$ 6,871,220</b>	<b>\$ 1,240,105</b>	<b>\$ 8,111,325</b>

Other Supplemental Information  
Combining Statement of Cash Flows  
Internal Service Funds

Year Ended December 31, 2019

	Fleet Management	Retiree Health Care	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services and reimbursements	\$ 2,774,727	\$ 2,898,426	\$ 5,673,153
Payments to suppliers	(602,642)	(46,179)	(648,821)
Payments to employees and fringes	(163,876)	(2,839,645)	(3,003,521)
Payments to other funds	(405,016)	-	(405,016)
Other receipts	9,826	-	9,826
Net cash provided by operating activities	1,613,019	12,602	1,625,621
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from sale of capital assets	135,268	-	135,268
Purchase of capital assets	(519,768)	-	(519,768)
Net cash used in capital and related financing activities	(384,500)	-	(384,500)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	95,179	3,863	99,042
<b>Net Increase in Cash</b>	1,323,698	16,465	1,340,163
<b>Cash - Beginning of year</b>	3,636,927	1,218,623	4,855,550
<b>Cash - End of year</b>	<u>\$ 4,960,625</u>	<u>\$ 1,235,088</u>	<u>\$ 6,195,713</u>
<b>Combining Statement of Net Position Classification of Cash and Cash Equivalents - Cash and investments</b>	<u>\$ 4,960,625</u>	<u>\$ 1,235,088</u>	<u>\$ 6,195,713</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 710,536	\$ (10,478)	\$ 700,058
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	930,306	-	930,306
Changes in assets and liabilities:			
Receivables	(2,707)	-	(2,707)
Due to and from other funds	-	24,897	24,897
Prepaid and other assets	(1,026)	-	(1,026)
Accounts payable	36,197	-	36,197
Net OPEB liability	(73,964)	-	(73,964)
Deferrals related to OPEB	10,251	-	10,251
Accrued and other liabilities	3,426	(1,817)	1,609
Total adjustments	902,483	23,080	925,563
Net cash provided by operating activities	<u>\$ 1,613,019</u>	<u>\$ 12,602</u>	<u>\$ 1,625,621</u>
<b>Significant Noncash Transactions - Vehicle donations</b>	\$ 49,735	\$ -	\$ 49,735

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

**December 31, 2019**

	Pension and Other Postemployment Benefits Funds		
	Pension Trust Fund	Retiree Health Care Trust Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,257,218	\$ 47,846	\$ 1,305,064
Investments:			
Mutual funds - Fixed income	-	6,037,903	6,037,903
Mutual funds - Equity	20,043,308	8,777,776	28,821,084
Multistrategy hedge funds	3,893,832	1,716,019	5,609,851
Commingled funds	17,719,800	1,748,504	19,468,304
Common stock	4,622,841	1,871,237	6,494,078
Foreign stock	294,469	119,624	414,093
Real estate	6,900,538	2,716,972	9,617,510
Receivables:			
Accrued interest receivable	15,132	5,359	20,491
Pension system contributions receivable	588,346	-	588,346
Other receivables	224,210	1,977	226,187
Total assets	55,559,694	23,043,217	78,602,911
<b>Liabilities</b>	-	-	-
<b>Net Position</b>			
Restricted:			
Pension	55,559,694	-	55,559,694
Postemployment benefits	-	23,043,217	23,043,217
Total net position	<u>\$ 55,559,694</u>	<u>\$ 23,043,217</u>	<u>\$ 78,602,911</u>

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

**Year Ended December 31, 2019**

<b>Pension and Other Postemployment Benefits Funds</b>			
	<b>Pension Trust Fund</b>	<b>Retiree Health Care Trust Fund</b>	<b>Total</b>
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 733,537	\$ 520,335	\$ 1,253,872
Net increase in fair value of investments	8,356,788	2,584,192	10,940,980
Investment-related expenses	(213,345)	(44,832)	(258,177)
Net investment income	8,876,980	3,059,695	11,936,675
Contributions:			
Employer contributions	1,703,612	2,810,654	4,514,266
Employee contributions	81,344	-	81,344
Total contributions	1,784,956	2,810,654	4,595,610
Total additions	10,661,936	5,870,349	16,532,285
<b>Deductions</b>			
Benefit payments	3,822,720	-	3,822,720
Medical premiums/expenses	-	1,310,654	1,310,654
Total deductions	3,822,720	1,310,654	5,133,374
<b>Net Increase in Fiduciary Net Position</b>	6,839,216	4,559,695	11,398,911
<b>Net Position - Beginning of year</b>	48,720,478	18,483,522	67,204,000
<b>Net Position - End of year</b>	<b>\$ 55,559,694</b>	<b>\$ 23,043,217</b>	<b>\$ 78,602,911</b>

## City of Auburn Hills, Michigan

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

December 31, 2019

	Major Streets	Local Streets	Total
<b>Assets</b>			
Cash and investments	\$ 1,200,510	\$ 580,427	\$ 1,780,937
Receivables:			
Other receivables	27,500	12,000	39,500
Due from other governments	294,599	85,162	379,761
Total assets	<u><u>\$ 1,522,609</u></u>	<u><u>\$ 677,589</u></u>	<u><u>\$ 2,200,198</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 530,439	\$ 44,743	\$ 575,182
Due to other funds	148	148	296
Refundable deposits and bonds	565,200	204,113	769,313
Accrued liabilities and other	10,679	7,359	18,038
Total liabilities	1,106,466	256,363	1,362,829
<b>Deferred Inflows of Resources</b> - Unavailable revenue	25,000	2,000	27,000
Total liabilities and deferred inflows of resources	1,131,466	258,363	1,389,829
<b>Fund Balances</b> - Restricted - Roads	391,143	419,226	810,369
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,522,609</u></u>	<u><u>\$ 677,589</u></u>	<u><u>\$ 2,200,198</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, 2019

	Major Streets	Local Streets	Total
<b>Revenue</b>			
Intergovernmental:			
State sources:			
Act 51 gas and weight tax	\$ 1,892,905	\$ 532,947	\$ 2,425,852
State grants	45,488	-	45,488
Investment income	4,024	657	4,681
Other revenue - Other miscellaneous income	73,187	675	73,862
Total revenue	2,015,604	534,279	2,549,883
<b>Expenditures</b> - Streets and public improvements	3,179,667	948,563	4,128,230
<b>Excess of Expenditures Over Revenue</b>	(1,164,063)	(414,284)	(1,578,347)
<b>Other Financing Sources</b> - Transfers in	1,010,000	624,089	1,634,089
<b>Net Change in Fund Balances</b>	(154,063)	209,805	55,742
<b>Fund Balances</b> - Beginning of year	545,206	209,421	754,627
<b>Fund Balances</b> - End of year	<u>\$ 391,143</u>	<u>\$ 419,226</u>	<u>\$ 810,369</u>