

CITY OF AUBURN, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
September 30, 2020

**CITY OF AUBURN, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

May 19, 2021

To the Mayor and City Council
CITY OF AUBURN
Auburn, GA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF AUBURN, as of September 30, 2020, and the respective changes in 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Net Pension Liability - City of Auburn Retirement Plan, Schedule of Contributions - City of Auburn Retirement Plan, Schedule of Notes to Required Supplementary Information - City of Auburn Retirement Plan, and Budgetary Comparison Schedule-General Fund listed 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The CITY OF AUBURN has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF AUBURN's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above 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 supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021 on our consideration of the CITY OF AUBURN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF AUBURN's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

CITY OF AUBURN, GEORGIA
STATEMENT OF NET POSITION
September 30, 2020

PRIMARY GOVERNMENT

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 4,581,317	\$ -	\$ 4,581,317
Investments	483,354	-	483,354
Receivables (net of allowance for uncollectibles)	493,853	174,113	667,966
Internal balances	(1,629,168)	1,629,168	-
Prepaid items	66,677	10,687	77,364
Non-current assets:			
Capital assets:			
Capital assets not being depreciated	2,630,357	2,088,138	4,718,495
Capital assets being depreciated	10,909,204	6,457,418	17,366,622
Less: accumulated depreciation	(3,520,895)	(2,167,164)	(5,688,059)
Capital assets, net of depreciation	<u>10,018,666</u>	<u>6,378,392</u>	<u>16,397,058</u>
TOTAL ASSETS	<u>14,014,699</u>	<u>8,192,360</u>	<u>22,207,059</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>156,828</u>	<u>44,878</u>	<u>201,706</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>156,828</u>	<u>44,878</u>	<u>201,706</u>
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>14,171,527</u>	<u>8,237,238</u>	<u>22,408,765</u>
LIABILITIES			
Accounts payable	187,193	194,117	381,310
Other accrued items	25,940	47,927	73,867
Unearned revenue	2,500	-	2,500
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	50,361	11,585	61,946
Notes from direct borrowings	84,005	136,376	220,381
Capital leases payable	71,920	38,032	109,952
Due in more than one year:			
Compensated absences payable	75,542	17,378	92,920
Notes from direct borrowings	57,537	3,066,474	3,124,011
Capital leases payable	131,293	82,851	214,144
Net pension liability	262,116	76,190	338,306
TOTAL LIABILITIES	<u>948,407</u>	<u>3,670,930</u>	<u>4,619,337</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>6,865</u>	<u>1,988</u>	<u>8,853</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,865</u>	<u>1,988</u>	<u>8,853</u>
TOTAL LIABILITIES & DEFERRED INFLOWS	<u>955,272</u>	<u>3,672,918</u>	<u>4,628,190</u>
NET POSITION			
Net investment in capital assets	9,491,875	3,041,890	12,533,765
Restricted for:			
Capital outlay projects	427,445	-	427,445
Public safety programs	10,514	-	10,514
Health and welfare programs	97	-	97
Unrestricted	3,286,324	1,522,430	4,808,754
TOTAL NET POSITION	<u>\$ 13,216,255</u>	<u>\$ 4,564,320</u>	<u>\$ 17,780,575</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

.....NET (EXPENSE) AND CHANGES IN NET POSITION.....
.....PRIMARY GOVERNMENT.....

.....PROGRAM REVENUES.....

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 887,439	\$ 414,019	\$ -	\$ -	\$ (473,420)	\$ -	\$ (473,420)
Judicial	77,205	117,722	27,853	-	68,370	-	68,370
Public safety	1,595,456	15,962	393,543	-	(1,185,951)	-	(1,185,951)
Public works	635,358	1,250	200,458	1,481,000	1,047,350	-	1,047,350
Public health and welfare	4,924	-	5,000	-	76	-	76
Recreation and culture	415,445	56,397	-	-	(359,048)	-	(359,048)
Housing and development	323,783	9,367	56,686	-	(257,730)	-	(257,730)
Interest	10,675	-	-	-	(10,675)	-	(10,675)
Total Governmental Activities	<u>3,950,285</u>	<u>614,717</u>	<u>683,540</u>	<u>1,481,000</u>	<u>(1,171,028)</u>	<u>-</u>	<u>(1,171,028)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	2,016,747	1,983,164	-	469,000	-	435,417	435,417
Stormwater	106,246	106,246	-	-	-	-	-
Total Business-Type Activities	<u>2,122,993</u>	<u>2,089,410</u>	<u>-</u>	<u>469,000</u>	<u>-</u>	<u>435,417</u>	<u>435,417</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,073,278</u>	<u>\$ 2,704,127</u>	<u>\$ 683,540</u>	<u>\$ 1,950,000</u>	<u>(1,171,028)</u>	<u>435,417</u>	<u>(735,611)</u>
GENERAL REVENUES							
Property taxes					991,866	-	991,866
Sales taxes					1,494,993	-	1,494,993
Insurance premium taxes					552,118	-	552,118
Franchise taxes					408,050	-	408,050
Alcohol beverage taxes					125,017	-	125,017
Real estate recording taxes					24,585	-	24,585
Other taxes					33,179	-	33,179
Total taxes					<u>3,629,808</u>	<u>-</u>	<u>3,629,808</u>
Unrestricted investment earnings					13,583	7,063	20,646
Gain(Loss) on sale of capital assets					27,792	-	27,792
TRANSFERS					<u>(19,381)</u>	<u>19,381</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>3,651,802</u>	<u>26,444</u>	<u>3,678,246</u>
CHANGES IN NET POSITION					<u>2,480,774</u>	<u>461,861</u>	<u>2,942,635</u>
NET POSITION, Beginning					<u>10,735,481</u>	<u>4,102,459</u>	<u>14,837,940</u>
NET POSITION, Ending					<u>\$ 13,216,255</u>	<u>\$ 4,564,320</u>	<u>\$ 17,780,575</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 3,870,511	\$ 700,245	\$ 10,561	\$ 4,581,317
Investments	483,354	-	-	483,354
Receivables (net of allowance for uncollectibles)	205,546	285,706	2,600	493,852
Interfund receivables	374,398	-	-	374,398
Prepaid items	66,677	-	-	66,677
TOTAL ASSETS	<u>5,000,486</u>	<u>985,951</u>	<u>13,161</u>	<u>5,999,598</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	3,033	184,158	-	187,191
Other accrued items	25,940	-	-	25,940
Interfund payables	1,629,168	374,348	50	2,003,566
Unearned revenue	-	-	2,500	2,500
TOTAL LIABILITIES	<u>1,658,141</u>	<u>558,506</u>	<u>2,550</u>	<u>2,219,197</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	16,417	-	-	16,417
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,417</u>	<u>-</u>	<u>-</u>	<u>16,417</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,674,558</u>	<u>558,506</u>	<u>2,550</u>	<u>2,235,614</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditure	66,677	-	-	66,677
Restricted:				
Capital outlay projects	-	427,445	-	427,445
Public safety programs	-	-	10,514	10,514
Health and welfare programs	-	-	97	97
Unassigned	3,259,251	-	-	3,259,251
TOTAL FUND BALANCES	<u>3,325,928</u>	<u>427,445</u>	<u>10,611</u>	<u>3,763,984</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,000,486</u>	<u>\$ 985,951</u>	<u>\$ 13,161</u>	<u>\$ 5,999,598</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
For the Year Ended September 30, 2020

Total Fund Balances for Governmental Funds (page 3)	\$	3,763,984
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		10,018,666
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	16,417	16,417
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(125,903)	
Capital leases	(203,213)	
Notes from direct borrowings	(141,542)	
Net pension liability	(262,116)	
Net deferred inflows(outflows) - pension expense	149,963	(582,811)
Rounding		(1)
Total net position of governmental activities (page 1)	\$	<u>13,216,255</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	GENERAL	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 3,636,708	\$ -	\$ -	\$ 3,636,708
Licenses and permits	410,754	-	-	410,754
Intergovernmental	650,229	1,479,324	34,529	2,164,082
Fines and forfeitures	117,506	-	4,859	122,365
Charges for services	72,728	-	-	72,728
Investment income	11,945	2,054	45	14,044
Miscellaneous	7,369	-	1,500	8,869
TOTAL REVENUES	<u>4,907,239</u>	<u>1,481,378</u>	<u>40,933</u>	<u>6,429,550</u>
EXPENDITURES				
Current Expenditures				
General government	737,059	107,420	-	844,479
Judicial	78,304	-	-	78,304
Public safety	1,493,289	-	6,706	1,499,995
Public works	372,005	138,998	-	511,003
Public health and welfare	-	-	4,925	4,925
Culture and Recreation	187,675	34,175	-	221,850
Housing and development	317,577	-	-	317,577
Intergovernmental	132,688	-	-	132,688
Capital outlay	96,906	1,110,428	28,090	1,235,424
Debt service				
Principal	70,008	81,322	-	151,330
Interest	4,636	6,039	-	10,675
TOTAL EXPENDITURES	<u>3,490,147</u>	<u>1,478,382</u>	<u>39,721</u>	<u>5,008,250</u>
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	<u>1,417,092</u>	<u>2,996</u>	<u>1,212</u>	<u>1,421,300</u>
OTHER FINANCING SOURCES (USES)				
Sale of county property	30,363	-	-	30,363
Proceeds from capital leases	23,461	116,000	-	139,461
Transfers out	-	(19,381)	-	(19,381)
TOTAL OTHER FINANCING SOURCES (USES)	<u>53,824</u>	<u>96,619</u>	<u>-</u>	<u>150,443</u>
NET CHANGE IN FUND BALANCES	<u>1,470,916</u>	<u>99,615</u>	<u>1,212</u>	<u>1,571,743</u>
FUND BALANCES, Beginning of year	<u>1,855,012</u>	<u>327,830</u>	<u>9,399</u>	<u>2,192,241</u>
FUND BALANCES, End of year	<u>\$ 3,325,928</u>	<u>\$ 427,445</u>	<u>\$ 10,611</u>	<u>\$ 3,763,984</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net change in fund balances (page 5)		\$ 1,571,743
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital outlays	1,235,424	
Depreciation expense	<u>(300,670)</u>	934,754
<p>In the statement of activities, only the gain/loss on the sale of various capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.</p>		
Net book value of capital assets disposed of	<u>(2,571)</u>	(2,571)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	<u>(10,407)</u>	(10,407)
<p>Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.</p>		
Property taxes	<u>3,507</u>	3,507
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.</p>		
Proceeds from borrowing including premiums and discounts	(139,461)	
Principal payments on long-term debt	<u>151,330</u>	11,869
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, current year	(125,905)	
Compensated absences, prior year	117,905	
Net pension liability, current year	(262,116)	
Net pension liability, prior year	143,741	
Deferred inflows, current year	(6,865)	
Deferred inflows, prior year	<u>90,955</u>	(42,285)
<p>Contributions made after pension measurement date are reported in deferred outflows.</p>		
Beginning of year	(142,663)	
End of year	<u>156,828</u>	14,165
Rounding		<u>(1)</u>
Changes in net position of governmental activities (page 2)		\$ <u>2,480,774</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE
FUNDS**

	WATER FUND	STORMWATER FUND	TOTAL
ASSETS			
Current Assets			
Receivables (net of allowance for uncollectibles)	\$ 169,013	\$ 5,100	\$ 174,113
Interfund receivables	1,526,238	102,930	1,629,168
Prepaid items	7,148	3,539	10,687
TOTAL CURRENT ASSETS	<u>1,702,399</u>	<u>111,569</u>	<u>1,813,968</u>
Noncurrent Assets			
Capital assets			
Capital assets not being depreciated	2,085,082	3,056	2,088,138
Capital assets being depreciated	6,307,835	149,583	6,457,418
Less: accumulated depreciation	<u>(2,152,881)</u>	<u>(14,283)</u>	<u>(2,167,164)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>6,240,036</u>	<u>138,356</u>	<u>6,378,392</u>
TOTAL NONCURRENT ASSETS	<u>6,240,036</u>	<u>138,356</u>	<u>6,378,392</u>
TOTAL ASSETS	<u>7,942,435</u>	<u>249,925</u>	<u>8,192,360</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	44,878	-	44,878
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>44,878</u>	<u>-</u>	<u>44,878</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>7,987,313</u>	<u>249,925</u>	<u>8,237,238</u>
LIABILITIES			
Current Liabilities			
Accounts payable	193,656	461	194,117
Other accrued items	47,595	332	47,927
Compensated absences payable	11,263	322	11,585
Notes from direct borrowings	136,376	-	136,376
Capital leases payable	<u>38,032</u>	<u>-</u>	<u>38,032</u>
TOTAL CURRENT LIABILITIES	<u>426,922</u>	<u>1,115</u>	<u>428,037</u>
Noncurrent Liabilities			
Compensated absences payable	16,895	483	17,378
Net pension liability	76,190	-	76,190
Notes from direct borrowings	3,066,474	-	3,066,474
Capital leases payable	<u>82,851</u>	<u>-</u>	<u>82,851</u>
TOTAL NONCURRENT LIABILITIES	<u>3,242,410</u>	<u>483</u>	<u>3,242,893</u>
TOTAL LIABILITIES	<u>3,669,332</u>	<u>1,598</u>	<u>3,670,930</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	1,988	-	1,988
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,988</u>	<u>-</u>	<u>1,988</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>3,671,320</u>	<u>1,598</u>	<u>3,672,918</u>
NET POSITION			
Net investment in capital assets	2,903,534	138,356	3,041,890
Unrestricted	<u>1,412,459</u>	<u>109,971</u>	<u>1,522,430</u>
TOTAL NET POSITION	<u>\$ 4,315,993</u>	<u>\$ 248,327</u>	<u>\$ 4,564,320</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE
FUNDS**

	WATER FUND	STORMWATER FUND	TOTAL
OPERATING REVENUES			
Charges for sales and services:			
Charges for services	\$ 1,839,833	\$ 106,008	\$ 1,945,841
Other operating revenue			
Sewer sales	79,901	-	79,901
Other	57,230	-	57,230
Miscellaneous Income	6,200	235	6,435
Total Operating Revenues	<u>1,983,164</u>	<u>106,243</u>	<u>2,089,407</u>
OPERATING EXPENSES			
Salaries and benefits	568,918	59,405	628,323
Supplies	55,055	2,188	57,243
Other services and charges	143,115	42,254	185,369
Depreciation	176,115	2,399	178,514
Repairs and maintenance	39,052	-	39,052
Utilities	13,392	-	13,392
Water purchases	887,924	-	887,924
Sewerage flow costs	51,358	-	51,358
Total Operating Expenses	<u>1,934,929</u>	<u>106,246</u>	<u>2,041,175</u>
OPERATING INCOME	<u>48,235</u>	<u>(3)</u>	<u>48,232</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	7,066	-	7,066
Interest expense	(81,818)	-	(81,818)
Total Nonoperating Revenues (Expenses)	<u>(74,752)</u>	<u>-</u>	<u>(74,752)</u>
INCOME (LOSS) BEFORE TRANSFERS			
Tap fees in excess of cost - water	(26,517)	(3)	(26,520)
Transfer in	469,000	-	469,000
Transfer in	-	19,381	19,381
CHANGE IN NET POSITION	<u>442,483</u>	<u>19,378</u>	<u>461,861</u>
TOTAL NET POSITION, Beginning of year	3,873,510	228,949	4,102,459
TOTAL NET POSITION, End of year	<u>\$ 4,315,993</u>	<u>\$ 248,327</u>	<u>\$ 4,564,320</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER FUND	STORMWATER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	\$ 2,000,031	\$ 103,062	\$ 2,103,093
Payments to suppliers	(1,355,649)	(41,589)	(1,397,238)
Payments to employees	<u>(568,662)</u>	<u>(61,473)</u>	<u>(630,135)</u>
Net cash provided by (used in) operating activities	<u>75,720</u>	<u>-</u>	<u>75,720</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(665,497)	(19,381)	(684,878)
Tap fees in excess of costs	469,000	-	469,000
Transfers in/out	-	19,381	19,381
Proceeds from the issuance of debt	355,823	-	355,823
Principal payments on debt	(160,294)	-	(160,294)
Interest paid	<u>(81,818)</u>	<u>-</u>	<u>(81,818)</u>
Net cash provided by (used in) capital and related financing activities	<u>(82,786)</u>	<u>-</u>	<u>(82,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>7,066</u>	<u>-</u>	<u>7,066</u>
Net cash provided by (used in) investing activities	<u>7,066</u>	<u>-</u>	<u>7,066</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
CASH, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
CASH, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 48,235	\$ (3)	\$ 48,232
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	176,115	2,399	178,514
(Increase) decrease in:			
Accounts receivable	16,867	(3,181)	13,686
Deferred outflows for pension	(4,952)	-	(4,952)
Prepaid expenses	(1,095)	(941)	(2,036)
Increase (decrease) in:			
Accounts payable	169,547	462	170,009
Compensated absences	1,785	(957)	828
Customer deposits	6,465	-	6,465
Net pension liability	33,342	-	33,342
Other accrued items	(12,754)	(1,111)	(13,865)
Deferred inflows for pension	(23,630)	-	(23,630)
Interfund balances	<u>(334,205)</u>	<u>3,332</u>	<u>(330,873)</u>
Net cash provided by (used in) operating activities	<u>\$ 75,720</u>	<u>\$ -</u>	<u>\$ 75,720</u>

The accompanying notes are an integral part of this statement.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Auburn (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data 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. The City has no component units that meet the criteria for component units requiring discrete presentation in the primary governmental financial reporting entity.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 any component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed with the exception of federal and state grant revenue, which has a 12 month availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, licenses, charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *SPLOST Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The City reports the following major proprietary funds:

The *Water Fund* is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

The *Stormwater Fund* is used to account for fees collected and the management of stormwater facilities and services. Activities of the fund include administration, operations and maintenance of the stormwater utility system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for stormwater utility system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits that are not restricted, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded as fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “interfund receivables/payables.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance of uncollectibles.

Property taxes attach as an enforceable lien on property as of July 31. Taxes are normally levied by December 20th of each year. The 2019 property taxes were levied December 6, 2019, and were due February 6, 2020. The taxes are subject to lien after February 6, 2021. Interest and penalties are assessed on taxes not paid by this date. The City receives property tax assessments from both Barrow and Gwinnett Counties.

The City’s property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the City.

The City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as unavailable revenue in the general fund.

Inventories and Prepaid Items

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Restricted Assets

Certain restricted deposits and investments may be held by the General Fund. These funds are held in cash and/or investments as allowed by State law and the requirements of the related debt agreements. The investments are stated at fair value and the City records all investment revenue earned on these investments in the appropriate fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, or the appraised value at the time of the donation. Roads, bridges, and culverts acquired prior to July 1, 2004 have not been reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during 2020.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings & Improvements	20-50 years
Infrastructure - Distribution Systems	50 years
Machinery and equipment	5-7 years
Vehicles	3-5 years

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of item that qualifies for reporting in this category. The deferred charge in pension expense represents contributions made into the defined benefit pension plan after the measurement date. These contributions will be recognized as pension expense in the next fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. These two items consist of unavailable revenue and deferred inflows related to pension expense. Unavailable revenue only arises under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. The deferred inflows related to pension expense represent differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and changes of assumptions about future economic or demographic factors or of other inputs. These deferred inflows will be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning with the current reporting period.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The maximum vacation accrual is limited to sixty (60) days. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Debt issuance costs are included in their entirety in expenditures/expenses in the year they are incurred.

Bond Premiums and Discounts

Premiums and discount are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity/Net Position

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the the City Council must adopt another resolution.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Administrator to assign fund balances.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then committed, assigned, and unassigned (or unrestricted) resources as they are needed.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of September 30, 2020 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Cost of capital assets	\$ 13,539,561	\$ 8,545,556
Accumulated depreciation	(3,520,895)	(2,167,164)
Net book value	10,018,666	6,378,392
Capital leases related debt	(203,213)	(120,883)
Accounts payable related to capital assets	(182,036)	(12,769)
Notes from direct borrowings related to capital assets	(141,542)	(3,202,850)
Net investment in capital assets	\$ 9,491,875	\$ 3,041,890

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Indirect Cost

The City allocates indirect costs for general government services, such as finance, personnel, purchasing, legal, technology, management, etc., to its business-type activities. Allocations are charged to programs based on use of general government services determined by various allocation methodologies. These charges are separately reported in the statement of activities.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports \$438,056 of restricted net position, of which \$427,445 is restricted by enabling legislation.

Additional details related to fund balances at the governmental fund level are presented below:

Restricted:

SPLOST Fund

<i>SPLOST</i> - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	\$ <u>427,445</u>
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Nonmajor Funds

Public Safety programs -	
<i>Police Confiscation Fund</i> - For monies restricted for public safety purposes.	10,514
Health and Welfare programs -	
<i>Health Promotion Grant Fund</i> - For funds restricted for health programs.	<u>97</u>
Total Nonmajor Fund Restrictions	<u>10,611</u>

Total Restricted Fund Balance	\$ <u><u>438,056</u></u>
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NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, and all Debt Service Fund and Special Revenue Funds. Project-length budgets are adopted for capital projects funds. Budgets for planning and management purposes only are adopted for the Proprietary (Enterprise) Funds on a GAAP basis, except that long-term debt borrowings are budgeted as revenues and depreciation expense is not budgeted. Budget amounts are as originally adopted, or as amended by the Mayor and City Council. Some individual revisions were material in relation to the original appropriations.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Budgeting Policy

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to September 30 of each year, the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Project, Special Revenue, and Proprietary Funds are adopted in a basis consistent with generally accepted accounting principles (GAAP).

Basis for Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, other, and capital outlay. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. All unexpended annual appropriations lapse at year end.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City of Auburn has no recorded encumbrances at September 30, 2020.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

There are no excesses of expenditures over appropriations at the department level (the legal level of control).

(C) DEFICIT FUND EQUITY

At September 30, 2020, no funds had deficit fund equity.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS

As of September 30, 2020, the City had the following investments, some of which are cash equivalents:

INVESTMENT MATURITIES (in Years)

Investment Type	Fair Market Value Level 1	Less Than 1	1-5	Rating (1)
Certificate of Deposit	\$ 204,644	\$ 204,644	\$ -	N/A
Money Market	278,710	278,710	-	Baa1
Total	<u>\$ 483,354</u>	<u>\$ 483,354</u>	<u>\$ -</u>	
Maximum Investment		100.00%	0.00%	

1. Moody's

Cash per Statement of Net Position (page 1)	
Cash	\$ 4,581,317
Restricted cash	-
Total Cash and Restricted Cash	<u>\$ 4,581,317</u>
Investments per Statement of Net Position (page 1)	
Investments	\$ 483,354
Restricted Investments	-
Investments as listed above	<u>\$ 483,354</u>

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At September 30, 2020, the ratings of its investments are shown above.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Concentration of credit risk. The City places no limit on the amount it may invest in any one issuer.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of September 30, 2020, all of the City's deposits were insured or were adequately collateralized with securities held by the pledging financial institution's name.

As of September 30, 2020, the City's bank balance of \$4,581,317 was adequately collateralized with securities held by the pledging financial institution's name.

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.

Under the *pooled method*, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balance held by any one covered depository under the multibank pooled method.

The City utilized both methods to secure deposits of public funds.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City’s individual major funds and enterprise funds are summarized below:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Water Fund</u>	<u>Stormwater Fund</u>
Receivables:				
Property Taxes	\$ 41,860	\$ -	\$ -	\$ -
Accounts	14,470	-	473,656	6,266
Intergovernmental	<u>149,495</u>	<u>285,706</u>	<u>-</u>	<u>-</u>
Total Gross Receivables	205,825	285,706	473,656	6,266
Less: Allowance for				
Uncollectibles	<u>(279)</u>	<u>-</u>	<u>(304,643)</u>	<u>(1,166)</u>
Total Net Receivables	<u>\$ 205,546</u>	<u>\$ 285,706</u>	<u>\$ 169,013</u>	<u>\$ 5,100</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes (General Fund)	\$ 16,417	\$ -
Health and Wellness Grant prior to meeting eligibility requirements (Other Non-Major Funds)	-	2,500
Total unavailable/ unearned revenue for governmental funds	<u>\$ 16,417</u>	<u>\$ 2,500</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Property taxes receivable at September 30, 2020, consist of the following:

<u>Digest</u> <u>Year</u>	<u>General</u> <u>Fund</u>
2019	\$ 11,042
2018	4,709
2017	3,947
2016	7,873
2015	1,903
2014	2,660
2013	426
2012	641
2011	616
2010	988
2009	2,310
2008	1,431
2007 & prior	3,314
Total	<u>\$ 41,860</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 6 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Transfer</u>	<u>Ending Balance</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 1,576,549	\$ -	\$ -	\$ -	\$ 1,576,549
Construction in progress	992,469	967,275	-	(905,936)	1,053,808
Total non-depreciable capital assets	<u>2,569,018</u>	<u>967,275</u>	<u>-</u>	<u>(905,936)</u>	<u>2,630,357</u>
Depreciable Assets:					
Buildings and improvements	2,135,369	-	-	905,936	3,041,305
Machinery and equipment	1,250,744	14,069	-	-	1,264,813
Vehicles	880,154	110,926	(77,750)	-	913,330
Infrastructure	5,546,603	143,153	-	-	5,689,756
Total depreciable capital assets	<u>9,812,870</u>	<u>268,148</u>	<u>(77,750)</u>	<u>905,936</u>	<u>10,909,204</u>
Less Accumulated					
Depreciation for:					
Buildings and improvements	(552,749)	(48,548)	-	-	(601,297)
Machinery and equipment	(1,090,023)	(42,606)	-	-	(1,132,629)
Vehicles	(658,559)	(98,107)	75,179	-	(681,488)
Infrastructure	(994,072)	(111,409)	-	-	(1,105,481)
Total accumulated depreciation	<u>(3,295,403)</u>	<u>(300,670)</u>	<u>75,179</u>	<u>-</u>	<u>(3,520,895)</u>
Total depreciable capital assets, net	<u>6,517,467</u>	<u>(32,522)</u>	<u>(2,571)</u>	<u>-</u>	<u>7,388,309</u>
Governmental activities capital assets, net	<u>\$ 9,086,485</u>	<u>\$ 934,753</u>	<u>\$ (2,571)</u>	<u>\$ -</u>	<u>\$ 10,018,666</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Additions to governmental activities capital assets for fiscal year ending September 30, 2020 consist of the following:

Capital Outlay	\$	1,235,423
Total Additions	\$	<u>1,235,423</u>
Non-depreciable capital assets additions	\$	967,275
Depreciable capital assets additions		<u>268,148</u>
Total Additions	\$	<u>1,235,423</u>

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

Governmental Activities:		
General Government	\$	37,289
Judicial		300
Public Safety		82,854
Public Works		121,152
Culture and Recreation		<u>59,075</u>
Total depreciation expense: Governmental Activities	\$	<u>300,670</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Capital asset activity for business-type funds for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 410,949	\$ -	\$ -	\$ -	\$ 410,949
Construction in progress	<u>1,302,450</u>	<u>397,572</u>	<u>-</u>	<u>(22,833)</u>	<u>1,677,189</u>
Total non-depreciable capital assets	<u>1,713,399</u>	<u>397,572</u>	<u>-</u>	<u>(22,833)</u>	<u>2,088,138</u>
Depreciable Assets:					
Distribution systems	5,605,059	153,208	-	22,833	5,781,100
Machinery and equipment	218,023	21,914	-	-	239,937
Vehicles	<u>347,449</u>	<u>112,182</u>	<u>(23,250)</u>	<u>-</u>	<u>436,381</u>
Total depreciable capital assets	<u>6,170,531</u>	<u>287,304</u>	<u>(23,250)</u>	<u>22,833</u>	<u>6,457,418</u>
Less Accumulated Depreciation for:					
Distribution Systems	(1,552,565)	(126,845)	-	-	(1,679,410)
Machinery and equipment	(151,396)	(15,602)	-	-	(166,998)
Vehicles	<u>(307,940)</u>	<u>(36,066)</u>	<u>23,250</u>	<u>-</u>	<u>(320,756)</u>
Total accumulated depreciation	<u>(2,011,901)</u>	<u>(178,513)</u>	<u>23,250</u>	<u>-</u>	<u>(2,167,164)</u>
Total depreciable capital assets, net	<u>4,158,630</u>	<u>108,791</u>	<u>-</u>	<u>22,833</u>	<u>4,290,254</u>
Business-type activities capital assets, net	<u>\$ 5,872,029</u>	<u>\$ 506,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,378,392</u>

Depreciation expense was charged to business-type functions as follows:

Business-type Activities:	
Water	\$ 176,114
Stormwater	<u>2,399</u>
Total depreciation expense: Business-type Activities	<u>\$ 178,513</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to September 30, 2020, and the remainder of the authorized project expenditures for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Governmental Activities:					
Municipal Complex	\$ 3,690,555	\$ 1,053,808	\$ -	\$ 2,636,747	SPLOST
Total Governmental Activities	<u>\$ 3,690,555</u>	<u>\$ 1,053,808</u>	<u>\$ -</u>	<u>\$ 2,636,747</u>	
Business-type Activities					
Water Reservoir	\$ 7,894,100	\$ 1,674,133	\$ -	\$ 6,219,967	GEFA Construction Loan
County Line/Carter Road (Stormwater)	85,035	3,056	81,686	293	Stormwater/SPLOST
Total Business-type Activities	<u>\$ 7,979,135</u>	<u>\$ 1,677,189</u>	<u>\$ 81,686</u>	<u>\$ 6,220,260</u>	

NOTE 7 - LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:						
Capital leases	\$ 133,760	\$ 139,461	\$ (70,008)	\$ 203,213	\$ 71,920	\$ 131,293
Notes from direct borrowings	222,864	-	(81,322)	141,542	84,005	57,537
Compensated absences	117,905	62,550	(54,552)	125,903	50,361	75,542
Net pension liability	143,741	217,656	(99,281)	262,116	-	262,116
Governmental activities long-term liabilities	<u>\$ 618,270</u>	<u>\$ 419,667</u>	<u>\$ (305,163)</u>	<u>\$ 732,774</u>	<u>\$ 206,286</u>	<u>\$ 526,488</u>
Business-type Activities:						
Notes from direct borrowings	\$ 3,089,985	\$ 243,641	\$ (130,776)	\$ 3,202,850	\$ 136,376	\$ 3,066,474
Capital leases	38,218	112,182	(29,517)	120,883	38,032	82,851
Net pension liability	42,848	60,138	(26,796)	76,190	-	76,190
Compensated absences	28,135	21,122	(20,294)	28,963	11,585	17,378
Business-type activities long-term liabilities	<u>\$ 3,199,186</u>	<u>\$ 437,083</u>	<u>\$ (207,383)</u>	<u>\$ 3,428,886</u>	<u>\$ 185,993</u>	<u>\$ 3,242,893</u>

Capital leases and compensated absences are generally liquidated by the General Fund and notes from direct borrowings are generally liquidated by the SPLOST fund. The capital leases and notes from direct borrowings for business type activities are liquidated by the Water enterprise fund. Compensated absences for business type activities are liquidated by each of the respective enterprise funds.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

GOVERNMENTAL ACTIVITIES

NOTES FROM DIRECT BORROWINGS

The City obtained a note payable in the original amount of \$745,000, dated May 8, 2012, monthly installments of \$7,280, interest rate of 3.25% with final maturity dated May 8, 2022. This note payable was used to finance the purchase of real estate to serve as a new public works facility. As of September 30, 2020, the outstanding balance was \$141,542.

The annual debt service requirements to amortize this debt as of September 30, 2020, is as follows:

	<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2021	\$ 84,005	\$ 3,356	\$ 87,361
	2022	57,537	703	58,240
Total		<u>\$ 141,542</u>	<u>\$ 4,059</u>	<u>\$ 145,601</u>

CAPITAL LEASES

Vehicles were acquired under capital lease agreements which bear interest rates from 3.48% to 10.98%. The vehicles have an estimated useful life of five years. Two of the capital lease agreements to finance vehicles are allocated between governmental activities and business-type activities. The allocation for these agreements to the governmental activities is approximately 60% and the business-type activities allocation is approximately 40%.

This year, \$52,943 was included in depreciation expense. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of September 30, 2020, are as follows:

	<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2021	\$ 71,920	\$ 6,748	\$ 78,668
	2022	45,083	4,744	49,827
	2023	30,310	3,295	33,605
	2024	29,132	2,145	31,277
	2025	26,768	1,005	27,773
Total		<u>\$ 203,213</u>	<u>\$ 17,937</u>	<u>\$ 221,150</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

As of September 30, 2020, the capital assets purchased under these capital lease agreements are as follows:

		Governmental Activities
Machinery & equipment	\$	33,852
Vehicles		302,423
Infrastructure		116,000
Less accumulated depreciation		<u>(277,046)</u>
Net	\$	<u><u>175,229</u></u>

BUSINESS TYPE ACTIVITIES

As of September 30, 2020, the the long-term debt payable from proprietary fund resources consisted of the following:

NOTES FROM DIRECT BORROWINGS

The City obtained a GEFA note payable in the original amount of \$2,591,109 dated April 1, 2009, monthly installments of \$15,976, interest rate of 4.20% with final maturity dated April 1, 2029. The note payable was used to finance the improvement and expansion of the City's water system. As of September 30, 2020, the outstanding balance was \$1,379,568.

The annual debt service requirements to amortize this debt as of September 30, 2020, are as follows:

	<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2021	\$ 136,376	\$ 55,336	\$ 191,712
	2022	142,215	49,497	191,712
	2023	148,304	43,408	191,712
	2024	154,655	37,058	191,713
	2025	161,277	30,436	191,713
	2026-2030	<u>636,741</u>	<u>50,228</u>	<u>686,969</u>
Total		<u><u>\$ 1,379,568</u></u>	<u><u>\$ 265,963</u></u>	<u><u>\$ 1,645,531</u></u>

During 2014, the City approved a note payable to GEFA to fund the planning and design of a City reservoir. Interest only payments are due until the note is fully utilized and then the balance will be amortized over ten years. As of September 30, 2020, the total draws on this construction note were \$1,823,282.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

CAPITAL LEASES

Vehicles were acquired under capital lease agreements which bear interest rates from 8.83% to 10.98%. The vehicles have an estimated useful life of five years. The capital lease agreements to finance vehicles are allocated between governmental activities and business-type activities. The allocation for these agreements to the governmental activities is approximately 60% and the business-type activities allocation is approximately 40%.

This year, \$33,769 was included in depreciation expense. The lease agreements qualify as a capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of September 30, 2020, are as follows:

	<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$	38,032	\$ 4,560	\$ 42,592
2022		25,545	399	25,944
2023		22,977	2,161	25,138
2024		24,044	1,094	25,138
2025		10,285	162	10,447
Total		<u>\$ 120,883</u>	<u>\$ 8,376</u>	<u>\$ 129,259</u>

As of September 30, 2020, the capital assets purchased under these capital lease agreements are as follows:

	<u>Business-Type</u>
	<u>Activities</u>
Machinery and equipment	\$ 22,310
Vehicles	192,537
Less accumulated depreciation	<u>(96,325)</u>
Net	<u>\$ 118,522</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 8- INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2020, is as follows:

Due To	Due From			Total
	General	SPLOST	Other nonmajor governmental funds	
General	\$ -	\$ 374,348	\$ 50	\$ 374,398
Water	1,526,238	-	-	1,526,238
Stormwater	102,930	-	-	102,930
Total	\$ 1,629,168	\$ 374,348	\$ 50	\$ 2,003,566

These balances resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) the time lag between the dates that transactions are recorded in the accounting system, (3) the time lag between the dates that payments between funds are made, (4) short-term loans, and (5) to fund capital projects.

Transfers In	Transfers Out	
	SPLOST Fund	Total
Stormwater Fund	\$ 19,381	\$ 19,381
Total	\$ 19,381	\$ 19,381

Transfers are used to supplement operating budgets and fund capital projects.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 9 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Auburn Retirement Plan (The Plan), provides retirement and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association (GMA). GMEBS acts as a common investment and administrative agent for participating cities in Georgia. The Georgia Constitution enables the governing authority of the City, the City Council, to establish, and amend from time-to-time, the contribution rates for the City and its plan participants. The Plan issues a stand-alone report. This report may be obtained from: Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

The GMA, in its role as Plan Sponsor, has the sole authority to amend the provisions of the GMEBS Plan. The City has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan.

Participant counts as of January 1, 2020 (the most recent actuarial valuation date) and covered compensation (base on covered earnings for the preceding year) are shown below:

Retirees, beneficiaries and disables receiving benefits	16
Terminated plan participants entitled to but not yet receiving benefits	29
Active employees participating in the Plan	43
Total number of Plan participants	88
Covered compensation for active participants	\$ 1,698,091
Contributions as a percentage of covered-employee payroll	7.22%

Funding Policy

The City is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code set forth minimum funding standards for state and local governmental pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. City employees are not required to contribute to the Plan. The annual City contribution meets or exceeds the minimum funding requirements of Georgia Statute 47-20.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

Net Pension Liability

The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2020.

The total pension liability in the January 1, 2020 valuation was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases (including inflation)	3.00% - 8.50%
Net investment rate of return	7.375%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females set forward two years for males and set forward one year for females.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - June 30, 2019.

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

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45%	6.41%
International equity	20	6.96%
Domestic Fixed income	20	1.96%
Real estate	10	4.76%
Global Fixed Income	5	3.06%
Cash	0	
TOTAL	100%	

* Rates shown are net of inflation

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Change in the Net Pension Liability

	Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2019	\$ 2,111,855	\$ 1,925,266	\$ 186,589
Changes for the year:			
Service cost	87,254	-	87,254
Interest	161,922	-	161,922
Difference between expected and actual experience	27,539	-	27,539
Contribution-employer	-	122,683	(122,683)
Net investment income	-	60,052	(60,052)
Benefit payments	(80,299)	(80,299)	-
Administrative expense	-	(9,926)	9,926
Other charges	47,811	-	47,811
Net changes	244,227	92,510	151,717
Balances at September 30, 2020 *	<u>\$ 2,356,082</u>	<u>\$ 2,017,776</u>	<u>\$ 338,306</u>

* Measurement date September 30, 2019

The following presents the City's net pension liability calculated using the discount rate of 7.375%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1 % Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability	<u>\$ 656,624</u>	<u>\$ 338,306</u>	<u>\$ 73,373</u>

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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

For the year ended September 30, 2020, the City recognized pension expense of \$148,155. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,069	\$ -
Changes of assumptions	48,361	-
Net difference between projected and actual earnings on pension plan investments	-	(8,853)
City contributions subsequent to the measurement date	115,276	-
TOTAL	\$ 201,706	\$ (8,853)

City contributions subsequent to the measurement date of \$115,276 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021.

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

Year Ended September 30,	
2021	\$ 5,521
2022	22,230
2023	32,714
2024	17,112
2025	-
Thereafter	-
Total	\$ 77,577

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the City and are not reported in these financial statements.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to any any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the members governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, an all expenses incurred for investigation, negotiation of defense.

The City also provides health insurance coverage for its employees through the Georgia Employees Benefit System (GEMBS).

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

GRANTS

Amounts received or receivable for grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

CDBG GRANT

In July of 2015, the City accepted a Community Development Block Grant from the Department of Community Affairs in the amount of \$500,000 for the building stabilization and construction of the Auburn Center. As a condition of the grant, the City must agree to use the facility for the approved purpose throughout the life of the facility. Should the facility be converted to an ineligible use, the Department of Community Affairs will require repayment of the grant. The repayment will be based on 20-year straight-line depreciation, except 100% repayment of the grant funds will be required to be repaid if the facility is converted during the first five years after the grant closeout date. The period for calculating the repayment amount began upon closeout of the grant in June 2017 and continues until approximately June 2037.

NOTE 12 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Auburn was not involved in any significant related party transactions during the current operating year.

NOTE 13 - LITIGATION

The City is a party to legal proceedings that normally occur in governmental operations. As of the date of this financial statement, no awards in these cases have been made against the City. The results of any litigation, however, contain elements of uncertainty, and liability, if any, which might result from these proceedings, would not, in the opinion of management, have a material adverse effect on the ability of the City to meet its financial obligations. Accordingly, no provision for loss has been recorded.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 14 - CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Several of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

The amount reported as the estimated amounts for the net pension liability and related deferred inflows and outflows of resources qualify as significant estimates and are based on actuarial studies and projections.

NOTE 15 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the twelve (12) county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City did not pay annual dues to the NEGRC for the year ended September 30, 2020; the City's membership dues were assessed and paid by Barrow County, Georgia. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines regional commissions as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of a regional commission beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the NEGRC may be obtained from: Northeast Georgia Regional Commission, 305 Research Drive, Athens, Georgia 30605.

CITY OF AUBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 16 - CONTINGENCIES

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern”. The spread of this virus (COVID-19) appeared in the United States and began to cause some operational disruptions in the first quarter of calendar year 2020. While this disruption is currently expected to be temporary, there is considerable uncertainty regarding the potential duration of the virus. Therefore, while management expects this matter could negatively impact operating results, the total financial impact and duration cannot be reasonably estimated at this time.

CITY OF AUBURN, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF AUBURN RETIREMENT PLAN
For the Year Ended September 30, 2020
"Unaudited"

<u>For the Year Ended September 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 2,356,082	\$ 2,111,855	\$ 1,907,341	\$ 1,648,016	\$ 1,555,467
Net fiduciary position	2,017,776	1,925,266	1,713,693	1,455,620	1,257,728
Net pension liability	<u>\$ 338,306</u>	<u>\$ 186,589</u>	<u>\$ 193,648</u>	<u>\$ 228,396</u>	<u>\$ 297,739</u>
Covered-employee payroll	\$ 1,698,091	\$ 1,588,271	\$ 1,684,034	\$ 1,582,887	\$ 1,558,940
Net pension liability as a percentage of its covered-employee payroll	19.92%	11.75%	11.50%	14.43%	19.10%
Plan fiduciary net position as a percentage of the total pension liability	85.64%	91.16%	89.85%	86.44%	80.86%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF AUBURN, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF AUBURN RETIREMENT PLAN
For the Year Ended September 30, 2020
"Unaudited"**

<u>For the Year Ended September 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 122,683	\$ 112,688	\$ 96,299	\$ 99,114	\$ 105,053
Contributions in relation to the contractually required contribution	122,683	112,688	96,299	99,114	105,035
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18</u>
City's covered-employee payroll	\$ 1,698,091	\$ 1,588,271	\$ 1,684,034	\$ 1,582,887	\$ 1,558,940
Contributions as a percentage of covered-employee payroll	7.22%	7.10%	5.72%	6.26%	6.74%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF AUBURN, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
CITY OF AUBURN RETIREMENT PLAN
For the Year Ended September 30, 2020
"Unaudited"

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2020. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended September 30, 2020 reported in that schedule:

Valuation Date	January 1, 2020
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed Level Dollar for remaining unfunded liability
Remaining Amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 19 years
Asset Valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.375%
Inflation	2.25%
Salary Increases	3.00% - 8.50%, including inflation
Cost of Living Adjustments	0.00%

CITY OF AUBURN, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2020
(Required Supplementary Information)

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 1,855,012	\$ 1,855,012	\$ 1,855,012	\$ -
RESOURCES (INFLOWS)				
Taxes	3,267,190	3,267,190	3,636,708	369,518
Licenses and permits	207,300	287,781	410,754	122,973
Intergovernmental	-	-	650,229	650,229
Fines and forfeitures	106,000	106,000	117,506	11,506
Charges for services	38,400	53,290	72,728	19,438
Investment income	4,525	4,525	11,945	7,420
Miscellaneous	8,217	8,353	7,369	(984)
Sale of county property	5,000	5,000	30,363	25,363
Capital lease issued	23,461	23,461	23,461	-
Total Resources (Inflows)	<u>3,660,093</u>	<u>3,755,600</u>	<u>4,961,063</u>	<u>1,205,463</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>5,515,105</u>	<u>5,610,612</u>	<u>6,816,075</u>	<u>1,205,463</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Mayor and council	40,345	40,345	33,986	6,359
Administrative	42,988	42,988	40,903	2,085
Elections	4,739	4,876	4,876	-
Finance	391,154	397,512	397,512	-
Law	20,000	20,000	16,534	3,466
Data processing/MIS	71,258	71,511	71,511	-
Buildings	207,299	207,299	180,507	26,792
Total General Government	<u>777,783</u>	<u>784,531</u>	<u>745,829</u>	<u>38,702</u>
Judicial				
Municipal court	90,460	90,460	78,304	12,156
Total Judicial	<u>90,460</u>	<u>90,460</u>	<u>78,304</u>	<u>12,156</u>
Public Safety				
Police	1,663,449	1,687,466	1,610,899	76,567
Total Public Safety	<u>1,663,449</u>	<u>1,687,466</u>	<u>1,610,899</u>	<u>76,567</u>
Public Works				
Public works administration	268,622	268,622	211,926	56,696
Roadways and walkways	104,482	104,482	89,345	15,137
Street lighting	105,000	106,178	106,178	-
Total Public Works	<u>478,104</u>	<u>479,282</u>	<u>407,449</u>	<u>71,833</u>
Culture and Recreation				
Parks	182,014	182,014	161,289	20,725
Library	131,700	132,688	132,688	-
Other recreation and culture	45,979	45,979	36,110	9,869
Total Culture and Recreation	<u>359,693</u>	<u>360,681</u>	<u>330,087</u>	<u>-</u>
Housing and development				
Planning and zoning	196,522	244,208	244,208	-
Code enforcement	75,232	75,232	44,842	30,390
Development Authority	6,650	21,540	21,133	407
Other housing and development	12,200	12,200	7,396	4,804
Total Housing and Development	<u>290,604</u>	<u>353,180</u>	<u>317,579</u>	<u>35,601</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>3,660,093</u>	<u>3,755,600</u>	<u>3,490,147</u>	<u>270,460</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>1,470,916</u>	<u>1,470,916</u>
FUND BALANCE, End of year	<u>\$ 1,855,012</u>	<u>\$ 1,855,012</u>	<u>\$ 3,325,928</u>	<u>\$ 1,470,916</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

**CITY OF AUBURN, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2020**

SPECIAL REVENUE FUNDS

	POLICE CONFISCATION FUND	DOT ASSET FORFEITURE FUND	HEALTH PROMOTION GRANT	DOJ ASSET FORFEITURE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 7,017	\$ 922	\$ 2,597	\$ 25	\$ 10,561
Receivables	2,600	-	-	-	2,600
TOTAL ASSETS	<u>9,617</u>	<u>922</u>	<u>2,597</u>	<u>25</u>	<u>13,161</u>
LIABILITIES					
Liabilities					
Interfund payables	-	25	-	25	50
Unearned revenue	-	-	2,500	-	2,500
TOTAL LIABILITIES	<u>-</u>	<u>25</u>	<u>2,500</u>	<u>\$ 25</u>	<u>\$ 2,550</u>
FUND BALANCES					
Restricted:					
Public safety programs	9,617	897	-	-	10,514
Health and welfare programs	-	-	97	-	97
TOTAL FUND BALANCES	<u>9,617</u>	<u>897</u>	<u>97</u>	<u>-</u>	<u>10,611</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,617</u>	<u>\$ 922</u>	<u>\$ 2,597</u>	<u>\$ 25</u>	<u>\$ 13,161</u>

CITY OF AUBURN, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	SPECIAL REVENUE FUNDS			
	POLICE CONFISCATION FUND	DOT ASSET FORFEITURE FUND	HEALTH PROMOTION GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Intergovernmental	\$ 27,853	\$ 1,676	\$ 5,000	\$ 34,529
Fines and forfeitures	4,859	-	-	4,859
Investment income	37	-	8	45
Miscellaneous	1,500	-	-	1,500
TOTAL REVENUES	34,249	1,676	5,008	40,933
EXPENDITURES				
Current Expenditures				
Public safety	5,927	779	-	6,706
Public health and welfare	-	-	4,925	4,925
Capital outlay	28,090	-	-	28,090
TOTAL EXPENDITURES	34,017	779	4,925	39,721
 EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	 232	 897	 83	 1,212
 FUND BALANCES, Beginning of year	 9,385	 -	 14	 9,399
 FUND BALANCES, End of year	 \$ 9,617	 \$ 897	 \$ 97	 \$ 10,611

CITY OF AUBURN, GEORGIA
POLICE CONFISCATION SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2020

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 9,385	\$ 9,385	\$ 9,385	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	1,000	26,000	27,853	1,853
Fines and forfeitures	9,000	9,000	4,859	(4,141)
Investment income	-	-	37	37
Miscellaneous	-	-	1,500	1,500
Total Resources (Inflows)	<u>10,000</u>	<u>35,000</u>	<u>34,249</u>	<u>(751)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>19,385</u>	<u>44,385</u>	<u>43,634</u>	<u>(751)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	<u>10,000</u>	<u>35,000</u>	<u>34,017</u>	<u>983</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>10,000</u>	<u>35,000</u>	<u>34,017</u>	<u>983</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>232</u>	<u>232</u>
FUND BALANCE, End of year	<u>\$ 9,385</u>	<u>\$ 9,385</u>	<u>\$ 9,617</u>	<u>\$ 232</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF AUBURN, GEORGIA
DOT ASSET FORFEITURE SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2020

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	1,000	1,000	1,676	676
Total Resources (Inflows)	1,000	1,000	1,676	676
AMOUNTS AVAILABLE FOR APPROPRIATION	1,000	1,000	1,676	676
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public safety	1,000	1,000	779	221
TOTAL CHARGES TO APPROPRIATIONS	1,000	1,000	779	221
CHANGE IN FUND BALANCE	-	-	897	897
FUND BALANCE, End of year	\$ -	\$ -	\$ 897	\$ 897

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF AUBURN, GEORGIA
HEALTH PROMOTION GRANT SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2020

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 14	\$ 14	\$ 14	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	5,000	5,000	5,000	-
Investment income	-	-	8	8
Total Resources (Inflows)	<u>5,000</u>	<u>5,000</u>	<u>5,008</u>	<u>8</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>5,014</u>	<u>5,014</u>	<u>5,022</u>	<u>8</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public health and welfare	5,000	5,000	4,925	75
TOTAL CHARGES TO APPROPRIATIONS	<u>5,000</u>	<u>5,000</u>	<u>4,925</u>	<u>75</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>83</u>	<u>83</u>
FUND BALANCE, End of year	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 97</u>	<u>\$ 83</u>

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF AUBURN, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended September 30, 2020

PROJECT	ORIGINAL ESTIMATED COSTS		CURRENT ESTIMATED COSTS		EXPENDITURES		
					PRIOR YEARS	CURRENT YEAR	
Gwinnett County - 2008 SPLOST							
Road Improvements	\$	75,000	\$	75,000	\$	61,301	
Recreation Facility		189,528		189,528		1,671	
Subtotal - 2008 SPLOST		<u>264,528</u>		<u>264,528</u>		<u>62,972</u>	
Barrow County - 2012 SPLOST							
Municipal Complex & Event Center		588,636		588,636		854,405	
Public Works Facility		700,000		700,000		669,673	
Road Improvements		600,000		600,000		788,091	
Parks & Recreation		1,580,732		1,580,732		1,239,389	
Subtotal - 2012 SPLOST		<u>3,469,368</u>		<u>3,469,368</u>		<u>3,551,558</u>	
Gwinnett County - 2014 SPLOST							
Road Improvements		90,258		90,258		84,689	
Public Safety Equipment		54,809		54,809		59,863	
Subtotal - 2014 SPLOST		<u>145,067</u>		<u>145,067</u>		<u>144,552</u>	
Gwinnett County - 2016 SPLOST							
Road Improvements		126,482		126,482		46,526	
Sewer System Improvements		84,321		84,321		16,840	
Subtotal - 2016 SPLOST		<u>210,803</u>		<u>210,803</u>		<u>63,366</u>	
Barrow County - 2018 SPLOST							
Municipal Complex		2,000,000		2,000,000		-	
Transportation Improvements		750,000		750,000		-	
Parks & Recreation Facilities & Equipment		400,000		400,000		-	
Public Safety Facilities & Equipment		350,000		350,000		-	
Public Works Facilities & Equipment		300,000		300,000		-	
Water & Sewer Capital Improvements		690,555		690,555		-	
Stormwater Facilities		250,000		250,000		-	
Subtotal - 2018 SPLOST		<u>4,740,555</u>		<u>4,740,555</u>		<u>-</u>	
Totals	\$	<u>8,755,321</u>	\$	<u>8,755,321</u>	\$	<u>3,822,448</u>	
Total of all SPLOSTS above						\$	<u>1,278,159</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	\$	1,478,382
Transfers out		19,381
Expenditures paid with LMIG and other Georgia DOT revenues		(91,778)
Expenditures paid with CDBG grant revenue		(11,826)
Expenditures paid with capital lease proceeds		(116,000)
Total	\$	<u>1,278,159</u>

(1) Expenditures for projects have been offset by revenues from other sources. For some years, such revenues exceed expenditures.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

May 19, 2021

To the Mayor and City Council
City of Auburn
Auburn, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Auburn, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Auburn's basic financial statements and have issued our report thereon dated May 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Auburn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Auburn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, described below:

INTERNAL CONTROL

2020-001

Statement of Condition:

During field work, we noted that bank reconciliations were not correct (the general ledger balance per the reconciliations did not match the actual general ledger).

Criteria:

To ensure an accurate cash balance in the accounting books, a list of outstanding checks showing the check number, payee, and date of the check should be maintained. Only reconciling items should be listed on the bank reconciliation each month.

Effect of Condition:

The risk of understating or overstating assets.

Cause of Condition:

The City did not have a proper monthly reconciliation process in place.

Recommendation:

We recommend the City implement a monthly reconciliation review process where discrepancies are recognized and corrected timely.

Response:

The City of Auburn has been working on new procedures to streamline current processes. One of the largest tasks was to eliminate as much paperwork as possible and get everything in the accounting system. We have been working to get all reconciliations into our accounting system; this is complete now. Additionally, the City is developing a standard month end closing process, which includes a monthly bank reconciliation in the system, as well as in Excel. There was a lot of clean up to be done and outstanding checks dating back to 2017.

2020-002

Statement of Condition:

During fieldwork, we noted the City did not record capital lease proceeds related to lease agreements in both the General Fund and the Water and Sewer Fund.

Criteria:

To ensure an accurate balances in the accounting records, all amounts should be recorded in the general ledger.

Effect of Condition:

Long term debt is understated due to failure to record new leases.

Cause of Condition:

The City did not properly account for all lease agreements due to lack of communication between departments.

Recommendation:

We recommend that the City implement a review process where all approved contracts are recognized and corrected timely.

Response:

This project was pushed back several times and the City was not aware that it was complete. We are working with department heads to close the communication gap and have also created numerous reports to help track projects to eliminate the reliance of department heads.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Auburn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bates, Carter & Co., LLP