

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENTS AUDIT REPORT

CITY OF AUBURN MUNICIPAL UTILITIES

DEKALB COUNTY, INDIANA

January 1, 2018 to December 31, 2019



FILED
10/28/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia M. Miller	01-01-18 to 12-31-20
Mayor	Norman E. Yoder Michael D. Ley	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President of the Board of Public Works and Safety	Norman E. Yoder Michael D. Ley	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President Pro Tempore of the Common Council	Mike Watson Dennis Ketzenberger James Finchum	01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20
Superintendent of Water Utility	Randy Harvey	01-01-18 to 12-31-20
Superintendent of Wastewater Utility	David Lochner Todd Sattison	01-01-18 to 12-31-19 01-01-20 to 12-31-20
Superintendent of Electric Utility	Christopher Schweitzer	01-01-18 to 12-31-20
Superintendent of Essential Services Utility	Christopher Schweitzer	01-01-18 to 12-31-20



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF AUBURN MUNICIPAL UTILITIES, DEKALB COUNTY, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the City of Auburn Municipal Utilities (Utilities), departments of the City of Auburn (City), as of and for the years ended December 31, 2018 and 2019, and the related notes to the financial statements, which collectively comprise the Utilities' 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' 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 Utilities' 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Qualified Opinion

Management had not performed an analysis of the future costs associated with Other Post-Employment Benefits (OPEB) as required in accordance with Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For each major fund, the financial statements should have included liabilities, deferred inflow of resources, and deferred outflow of resources to properly reflect OPEB activity during the audit period. Omitting these figures affects net position in the financial statements. Required note disclosures for OPEB were not properly included.

In addition, the Public Employees' Retirement Fund (PERF) liability was not presented on the financial statements. For each major fund, the financial statements should have included liabilities, deferred inflow of resources and deferred outflow of resources to properly reflect PERF activity during the audit period. Omitting these figures affects net position in the financial statements. Required note disclosures for PERF were not properly included.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Utilities, as of December 31, 2018 and 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I. A., the financial statements of the Utilities are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2018 and 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of the Net Pension Liability (PERF), Schedule of Contributions (PERF), and Schedule of Changes in Net OPEB Liability and Related Ratios 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. Our opinion on the basic financial statements is not affected by this missing information.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Management 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 Government 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 basic financial statements is not affected by this missing information.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 21, 2020

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Utilities. The financial statements and notes are presented as intended by the Utilities.

CITY OF AUBURN MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2018

<u>Assets</u>	Water Utility	Wastewater Utility	Electric Utility	AES Utility
Current assets:				
Cash and cash equivalents	\$ 208,470	\$ 289,025	\$ 10,028,746	\$ 4,465,081
Accounts receivable	112,815	229,866	747,589	16,872
Inventories	133,777	-	734,687	341,543
Prepaid items	6,172	12,595	17,807	2,293
	<u>461,234</u>	<u>531,485</u>	<u>11,528,828</u>	<u>4,825,789</u>
Total current assets				
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation	60,164	3,613,779	299,775	536,471
Bond and interest	3	619,637	-	-
Construction	3,284,044	-	-	-
Debt service reserve	323,338	1,384,772	-	-
Cash reserve	2	20,684	81,309	-
Replacement	-	1,521,811	-	-
Customer deposits	69,152	88,142	290,471	-
	<u>3,736,701</u>	<u>7,248,825</u>	<u>671,555</u>	<u>536,471</u>
Total restricted assets				
Deferred outflow of resources	<u>24,362</u>	<u>-</u>	<u>322,053</u>	<u>-</u>
Capital assets:				
Land, improvements to land and construction in progress	817,776	1,284,810	2,817,677	72,050
Other capital assets (net of accumulated depreciation)	<u>16,067,877</u>	<u>43,994,994</u>	<u>24,196,225</u>	<u>6,544,425</u>
Total capital assets				
	<u>16,885,653</u>	<u>45,279,804</u>	<u>27,013,902</u>	<u>6,616,475</u>
Total noncurrent assets				
	<u>20,646,716</u>	<u>52,528,630</u>	<u>28,007,511</u>	<u>7,152,946</u>
Total assets	<u>21,107,950</u>	<u>53,060,115</u>	<u>39,536,339</u>	<u>11,978,735</u>
Liabilities				
Current liabilities:				
Accounts payable	24,236	32,084	3,004,643	91,223
Taxes payable	14,527	-	57,935	33,516
Wages payable	31,463	54,674	83,803	31,463
Compensated absences	17,496	33,716	64,523	18,022
Current liabilities payable from restricted assets:				
Customer deposits	69,152	88,142	290,471	-
Accrued interest payable	-	152,955	-	49,099
Revenue bonds payable	110,000	-	-	165,000
Lease payable	-	-	357,318	-
State Revolving Fund loan payable	-	920,000	-	-
	<u>266,874</u>	<u>1,281,572</u>	<u>3,858,694</u>	<u>388,323</u>
Total current liabilities				
Noncurrent liabilities:				
Lease payable	-	-	1,774,285	-
Revenue bonds payable (net of unamortized premium)	3,220,000	-	-	2,595,000
State Revolving Fund loan payable	-	11,465,000	-	-
	<u>3,220,000</u>	<u>11,465,000</u>	<u>1,774,285</u>	<u>2,595,000</u>
Total noncurrent liabilities				
	<u>3,486,874</u>	<u>12,746,572</u>	<u>5,632,979</u>	<u>2,983,323</u>
Total liabilities	<u>3,486,874</u>	<u>12,746,572</u>	<u>5,632,979</u>	<u>2,983,323</u>
Net Position				
Net investment in capital assets	13,555,653	32,894,804	24,882,299	3,856,475
Restricted for debt service	323,340	1,851,454	-	-
Restricted for other purposes	3,344,209	5,156,274	381,084	536,471
Unrestricted	<u>397,873</u>	<u>411,011</u>	<u>8,639,977</u>	<u>4,602,466</u>
Total net position	<u>\$ 17,621,076</u>	<u>\$ 40,313,543</u>	<u>\$ 33,903,360</u>	<u>\$ 8,995,412</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2019

<u>Assets</u>	Water Utility	Wastewater Utility	Electric Utility	AES Utility
Current assets:				
Cash and cash equivalents	\$ 618,876	\$ 541,592	\$ 9,656,469	\$ 4,846,076
Accounts receivable	101,827	216,908	595,369	13,769
Inventories	140,159	-	915,702	497,876
Prepaid items	6,547	12,904	19,007	3,874
	<u>867,409</u>	<u>771,404</u>	<u>11,186,547</u>	<u>5,361,595</u>
Total current assets				
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation	236,031	2,739,572	54,581	728,174
Bond and interest	19	624,288	-	-
Construction	2,197,538	-	-	-
Replacement	-	1,463,884	-	-
Debt service reserve	323,337	1,413,648	-	-
Cash reserve	22	14	9	-
Customer deposits	71,057	92,617	297,641	-
	<u>2,828,004</u>	<u>6,334,023</u>	<u>352,231</u>	<u>728,174</u>
Total restricted assets	<u>2,828,004</u>	<u>6,334,023</u>	<u>352,231</u>	<u>728,174</u>
Deferred outflow of resources	<u>22,487</u>	<u>-</u>	<u>306,362</u>	<u>-</u>
Capital assets:				
Land, improvements to land and construction in progress	1,948,277	2,155,923	976,077	72,050
Other capital assets (net of accumulated depreciation)	<u>16,160,704</u>	<u>43,200,244</u>	<u>25,378,372</u>	<u>6,902,599</u>
Total capital assets	<u>18,108,981</u>	<u>45,356,167</u>	<u>26,354,449</u>	<u>6,974,649</u>
Total noncurrent assets	<u>20,959,472</u>	<u>51,690,190</u>	<u>27,013,042</u>	<u>7,702,823</u>
Total assets	<u>21,826,881</u>	<u>52,461,594</u>	<u>38,199,589</u>	<u>13,064,418</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	43,752	43,496	2,928,144	203,763
Taxes payable	13,987	-	55,380	12,567
Wages payable	47,239	67,230	115,837	45,017
Compensated absences	19,899	34,773	69,690	23,756
Current liabilities payable from restricted assets:				
Customer deposits	71,057	92,618	297,641	-
Accrued interest payable	-	141,594	-	46,336
Revenue bonds payable	110,000	-	-	170,000
Lease payable	-	-	367,250	-
State Revolving Fund loan payable	-	950,000	-	-
	<u>305,933</u>	<u>1,329,710</u>	<u>3,833,942</u>	<u>501,440</u>
Total current liabilities	<u>305,933</u>	<u>1,329,710</u>	<u>3,833,942</u>	<u>501,440</u>
Noncurrent liabilities:				
Lease payable	-	-	1,407,035	-
Revenue bonds payable (net of unamortized premium)	3,000,000	-	-	2,425,000
State Revolving Fund loan payable	-	10,515,000	-	-
	<u>3,000,000</u>	<u>10,515,000</u>	<u>1,407,035</u>	<u>2,425,000</u>
Total noncurrent liabilities	<u>3,000,000</u>	<u>10,515,000</u>	<u>1,407,035</u>	<u>2,425,000</u>
Total liabilities	<u>3,305,933</u>	<u>11,844,710</u>	<u>5,240,977</u>	<u>2,926,440</u>
<u>Net Position</u>				
Net investment in capital assets	14,998,981	33,891,167	24,580,164	4,379,649
Restricted for debt service	323,356	1,896,342	-	-
Restricted for other purposes	2,433,591	4,203,470	54,590	728,174
Unrestricted	<u>765,020</u>	<u>625,905</u>	<u>8,323,857</u>	<u>5,030,155</u>
Total net position	<u>\$ 18,520,948</u>	<u>\$ 40,616,884</u>	<u>\$ 32,958,611</u>	<u>\$ 10,137,978</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2018

	Water Utility	Wastewater Utility	Electric Utility	AES Utility
Operating Revenues:				
Metered revenue:				
Residential	\$ 1,019,093	\$ 2,164,307	\$ 5,907,015	\$ -
Commercial	371,194	852,066	2,894,685	-
Industrial	575,533	1,529,627	30,414,136	-
Public street and highway lighting	-	-	244,999	-
Fire protection revenue	596,138	-	-	-
Penalties	13,189	65,628	94,564	57,544
Unmetered revenues	-	118,708	-	-
Phone service fees	-	-	-	688,514
Data/Internet service fees	-	-	-	2,773,567
TV service fees	-	-	-	898,368
Other	100,654	597,096	1,192,108	243,396
Total operating revenues	<u>2,675,801</u>	<u>5,327,432</u>	<u>40,747,508</u>	<u>4,661,389</u>
Operating expenses:				
Salaries and wages	699,136	1,054,607	1,692,692	581,613
Employee benefits	300,748	403,062	615,393	188,074
Materials and supplies	157,173	304,517	52,000	332,215
Maintenance	267,895	331,627	784,123	-
Purchased power	298,745	323,417	33,843,400	-
Chemicals	-	253,241	-	-
Contractual services	224,988	325,735	9,361	1,465,967
Transmission and distribution	-	-	548,960	-
Transportation expense	17,842	15,095	62,013	4,781
Insurance	28,136	59,359	82,063	10,479
Depreciation	471,451	1,612,508	1,449,986	202,080
Utility receipts tax	34,758	-	550,852	64,613
Payment in lieu of taxes	184,000	405,000	215,000	51,000
Bad debt expense	658	2,099	-	-
Miscellaneous expense	9,047	57,224	1,106,535	342,736
Total operating expenses	<u>2,694,576</u>	<u>5,147,490</u>	<u>41,012,378</u>	<u>3,243,559</u>
Operating income (loss)	<u>(18,776)</u>	<u>179,942</u>	<u>(264,870)</u>	<u>1,417,830</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	835	30,345	79,252	2,339
Miscellaneous revenue	14,378	-	122,779	-
Interest expense	(21,545)	(311,467)	(21,820)	(118,826)
Amortization of deferred charges	-	-	(15,692)	-
Total nonoperating revenues (expenses)	<u>(6,332)</u>	<u>(281,122)</u>	<u>164,519</u>	<u>(116,487)</u>
Income (loss) before contributions	<u>(25,108)</u>	<u>(101,180)</u>	<u>(100,351)</u>	<u>1,301,343</u>
Contributions	<u>130,161</u>	<u>73,700</u>	<u>-</u>	<u>-</u>
Change in net position	<u>105,053</u>	<u>(27,480)</u>	<u>(100,351)</u>	<u>1,301,343</u>
Total net position - beginning	<u>17,516,023</u>	<u>40,341,023</u>	<u>34,003,711</u>	<u>7,694,069</u>
Total net position - ending	<u>\$ 17,621,076</u>	<u>\$ 40,313,543</u>	<u>\$ 33,903,360</u>	<u>\$ 8,995,412</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2019

	Water Utility	Wastewater Utility	Electric Utility	AES Utility
Operating Revenues:				
Metered revenue:				
Residential	\$ 968,646	\$ 2,192,764	\$ 5,793,795	\$ -
Commercial	373,729	841,813	2,848,100	-
Industrial	568,858	1,460,673	29,802,707	-
Public street and highway lighting	-	-	249,732	-
Fire protection revenue	1,070,436	-	-	-
Penalties	15,377	65,589	94,107	61,862
Unmetered revenues	-	119,952	-	-
Phone service fees	-	-	-	686,984
Data/Internet service fees	-	-	-	3,242,494
TV service fees	-	-	-	947,403
Other	104,407	401,934	903,602	169,479
	<u>3,101,453</u>	<u>5,082,725</u>	<u>39,692,043</u>	<u>5,108,221</u>
Total operating revenues				
Operating expenses:				
Salaries and wages	767,508	1,107,214	1,881,282	692,352
Employee benefits	292,282	376,474	626,409	214,794
Materials and supplies	102,977	274,205	37,788	700,485
Maintenance	289,675	225,136	784,123	-
Purchased power	296,915	322,806	32,810,115	18,062
Chemicals	11,281	276,202	-	-
Contractual services	80,711	249,634	688,184	157,937
Transmission and distribution	-	-	1,558,251	-
Transportation expense	14,551	12,044	55,046	4,259
Insurance	30,593	61,030	52,685	16,831
Depreciation	477,489	1,620,032	1,497,714	227,051
Utility receipts tax	41,196	-	540,431	71,803
Payment in lieu of taxes	184,000	405,000	215,010	51,000
Bad debt expense	2,886	3,677	58,962	12,391
Miscellaneous expense	56,796	52,208	310,129	1,827,320
	<u>2,648,861</u>	<u>4,985,662</u>	<u>41,116,129</u>	<u>3,994,286</u>
Total operating expenses				
Operating income (loss)	<u>452,592</u>	<u>97,063</u>	<u>(1,424,086)</u>	<u>1,113,935</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	54,709	136,687	151,962	79,330
Miscellaneous revenue	49,607	71,390	281,212	62,599
Interest expense	(103,338)	(288,867)	(56,844)	(113,298)
Amortization of deferred charges	-	-	(15,692)	-
	<u>979</u>	<u>(80,790)</u>	<u>360,637</u>	<u>28,631</u>
Total nonoperating revenues (expenses)				
Income (loss) before contributions	453,571	16,274	(1,063,449)	1,142,566
Contributions	<u>446,301</u>	<u>287,068</u>	<u>118,700</u>	<u>-</u>
Change in net position				
Change in net position	899,871	303,341	(944,749)	1,142,566
Total net position - beginning	<u>17,621,076</u>	<u>40,313,543</u>	<u>33,903,360</u>	<u>8,995,412</u>
Total net position - ending	<u>\$ 18,520,947</u>	<u>\$ 40,616,884</u>	<u>\$ 32,958,611</u>	<u>\$ 10,137,978</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2018

	Water Utility	Wastewater Utility	Electric Utility	AES Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,651,641	\$ 5,340,096	\$ 42,292,317	\$ 4,664,431
Payments to suppliers and contractors	(1,301,599)	(2,097,085)	(37,171,740)	(2,353,048)
Payments to employees	(706,932)	(1,055,888)	(1,693,169)	(567,195)
Payments for taxes	(213,936)	(405,000)	(765,394)	(90,669)
Other receipts	14,378	-	122,779	-
Net cash provided by operating activities	<u>443,552</u>	<u>1,782,123</u>	<u>2,784,793</u>	<u>1,653,519</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(357,006)	(336,058)	(2,786,151)	(906,734)
Capital contributions	130,161	73,700	-	-
Revenue Bond Issued	3,305,638	-	-	-
Electric Utility Capital Leases Issued	-	-	2,133,853	-
Principal paid on capital debt	(295,293)	(900,000)	-	(160,000)
Interest paid on capital debt	(21,545)	(322,582)	(21,820)	(121,305)
Net cash provided (used) by capital and related financing activities	<u>2,761,955</u>	<u>(1,484,940)</u>	<u>(674,118)</u>	<u>(1,188,039)</u>
Cash flows from investing activities:				
Interest received	835	30,345	79,252	2,339
Net increase in cash and cash equivalents	3,206,342	327,528	2,189,927	467,819
Cash and cash equivalents, January 1	738,830	7,210,322	8,510,374	4,533,732
Cash and cash equivalents, December 31	<u>\$ 3,945,172</u>	<u>\$ 7,537,850</u>	<u>\$ 10,700,301</u>	<u>\$ 5,001,551</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (18,776)	\$ 179,942	\$ (264,870)	\$ 1,417,830
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	471,451	1,612,508	1,449,986	202,080
Miscellaneous nonoperating revenues	14,378	-	122,779	-
(Increase) decrease in assets:				
Accounts receivable	(24,160)	12,663	1,544,809	3,042
Inventories	(1,083)	-	(154,466)	69,024
Prepaid items	34	1,891	644	18
Increase (decrease) in liabilities:				
Accounts payable	66	(33,045)	71,375	(77,837)
Taxes payable	4,822	-	458	24,944
Wages payable	(8,567)	(300)	(4,278)	6,212
Compensated absence payable	771	(981)	3,801	8,206
Customer deposits	4,615	9,445	14,555	-
Total adjustments	<u>462,327</u>	<u>1,602,181</u>	<u>3,049,663</u>	<u>235,689</u>
Net cash provided by operating activities	<u>\$ 443,552</u>	<u>\$ 1,782,123</u>	<u>\$ 2,784,793</u>	<u>\$ 1,653,519</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2019

	Water Utility	Wastewater Utility	Electric Utility	AES Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,112,441	\$ 5,095,683	\$ 39,844,263	\$ 5,111,324
Payments to suppliers and contractors	(1,164,004)	(1,837,836)	(37,233,236)	(2,997,454)
Payments to employees	(749,329)	(1,093,601)	(1,844,081)	(673,064)
Payments for taxes	(225,736)	(405,000)	(757,996)	(143,752)
Other receipts	49,607	71,390	281,212	62,599
Net cash provided by operating activities	<u>1,022,979</u>	<u>1,830,636</u>	<u>290,162</u>	<u>1,359,653</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,700,819)	(1,696,398)	(838,264)	(585,223)
Capital contributions	446,301	287,068	118,700	-
Principal paid on capital debt	(218,125)	(920,000)	(357,317)	(165,000)
Interest paid on capital debt	(103,338)	(300,228)	(56,844)	(116,061)
Net cash used by capital and related financing activities	<u>(1,575,981)</u>	<u>(2,629,558)</u>	<u>(1,133,725)</u>	<u>(866,284)</u>
Cash flows from investing activities:				
Interest received	54,709	136,687	151,962	79,330
Net increase (decrease) in cash and cash equivalents	(498,292)	(662,235)	(691,601)	572,699
Cash and cash equivalents, January 1	3,945,172	7,537,850	10,700,301	5,001,551
Cash and cash equivalents, December 31	<u>\$ 3,446,880</u>	<u>\$ 6,875,615</u>	<u>\$ 10,008,700</u>	<u>\$ 5,574,250</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 452,592	\$ 97,063	\$ (1,424,086)	\$ 1,113,935
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	477,489	1,620,032	1,497,714	227,051
Miscellaneous nonoperating revenues	49,607	71,390	281,212	62,599
(Increase) decrease in assets:				
Accounts receivable	10,988	12,958	152,220	3,103
Inventories	(6,382)	-	(181,015)	(156,332)
Prepaid items	(375)	(308)	(1,200)	(1,581)
Increase (decrease) in liabilities:				
Accounts payable	19,516	11,412	(76,499)	112,540
Taxes payable	(540)	-	(2,555)	(20,949)
Wages payable	15,776	12,556	32,034	13,554
Compensated absence payable	2,403	1,057	5,167	5,734
Customer deposits	1,905	4,475	7,170	-
Total adjustments	<u>570,387</u>	<u>1,733,573</u>	<u>1,714,248</u>	<u>245,719</u>
Net cash provided by operating activities	<u>\$ 1,022,979</u>	<u>\$ 1,830,636</u>	<u>\$ 290,162</u>	<u>\$ 1,359,653</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Auburn Municipal Utilities (Utilities) and are not intended to present fairly the position of the City of Auburn (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained, and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered as cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investment income, including changes in the fair value of investments, are reported as revenue in the operating statement.

CITY OF AUBURN MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate funds and/or bank accounts and their use is limited by applicable bond covenants.

The 2018 financial statements report Water Utility restricted net position of \$3,667,550, Wastewater Utility restricted net position of \$7,007,728, Electric Utility restricted net position of \$381,084, and Auburn Essential Services (AES) Utility restricted net position of \$536,471, of which all are restricted by enabling legislation.

The 2019 financial statements report Water Utility restricted net position of \$2,756,947, Wastewater Utility restricted net position of 6,099,812, Electric Utility restricted net position of \$54,590, and AES Utility restricted net position of \$728,174, of which all are restricted by enabling legislation.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Composite	2% to 3%
Improvements other than buildings	5,000	Composite	2% to 3%
Machinery and equipment	5,000	Composite	2% to 3%
Infrastructure	5,000	Composite	2% to 3%

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred in 2018 was \$21,545, \$311,467, \$21,820, and \$118,826, by the Water Utility, Wastewater Utility, Electric Utility, and AES Utility, respectively. The total interest expense incurred in 2019 was \$103,338, \$288,867, \$56,844, and \$113,298, by the Water Utility, Wastewater Utility, Electric Utility, and AES Utility, respectively. Of these amounts, nothing was included as part of the cost of capital assets under construction.

5. Compensated Absences

- a. Sick Leave - Utility employees earn sick leave at the rate of 1 hour for each week 40 hours are worked for hourly employees. Unused sick leave may be accumulated to a maximum of 1,440 hours. Salaried employees do not earn Sick Leave. Any hours not used are lost. Accumulated sick leave is not paid to employees upon termination.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 25 days per year based on the number of years of service. Vacation leave may not be accumulated beyond the employee’s anniversary date. Accumulated vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave - Utility employees earn personal leave at the rate of 1 hour for each week 40 hours are worked for hourly employees. Any hours exceeding 16 hours at the end of the year convert to sick time. Salary employees earn 6 days leave January 1. Any days remaining after December 31 are lost. Accumulated Personal leave is not paid to employees upon termination.

Vacation, Personal, and Sick leave is accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

7. Deferred Inflows/Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods. Deferred outflows of resources represent a consumption of net position that applies to future periods.

CITY OF AUBURN MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

II. Detailed Notes on All Funds

A. Deposits and Investments Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2018, the deposit balance was \$3,945,172, \$7,537,850, \$10,700,301, and \$5,001,551 for the Water Utility, Wastewater Utility, Electric Utility, and AES Utility, respectively. At December 31, 2019, the deposit balance was \$3,446,880, \$6,875,615, \$10,008,700, and \$5,574,250 for the Water Utility, Wastewater Utility, Electric Utility, and AES Utility, respectively.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

<u>Water Utility</u>	<u>Balance 01-01-18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-18</u>
Capital assets, not being depreciated:				
Land	\$ 735,068	\$ -	\$ -	\$ 735,068
Construction in progress	52,067	30,641	-	82,708
Total capital assets, not being depreciated	<u>787,135</u>	<u>30,641</u>	<u>-</u>	<u>817,776</u>
Capital assets, being depreciated:				
Buildings	3,643,415	-	-	3,643,415
Machinery and equipment	6,772,538	94,165	24,429	6,842,274
Infrastructure	13,156,635	232,201	-	13,388,836
Totals	<u>23,572,588</u>	<u>326,366</u>	<u>24,429</u>	<u>23,874,525</u>
Less accumulated depreciation	<u>7,359,626</u>	<u>471,451</u>	<u>24,429</u>	<u>7,806,648</u>
Total capital assets, being depreciated, net	<u>16,212,962</u>	<u>(145,085)</u>	<u>-</u>	<u>16,067,877</u>
Total Water Utility capital assets, net	<u>\$ 17,000,097</u>	<u>\$ (114,444)</u>	<u>\$ -</u>	<u>\$ 16,885,653</u>

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Wastewater Utility</u>	<u>Balance 01-01-18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-18</u>
Capital assets, not being depreciated:				
Land	\$ 377,757	\$ -	\$ -	\$ 377,757
Construction in progress	905,853	1,200	-	907,053
Total capital assets, not being depreciated	<u>1,283,610</u>	<u>1,200</u>	<u>-</u>	<u>1,284,810</u>
Capital assets, being depreciated:				
Buildings	33,418,927	-	-	33,418,927
Infrastructure	19,936,931	219,001	-	20,155,932
Machinery and equipment	11,144,446	119,856	37,865	11,226,437
Totals	<u>64,500,304</u>	<u>338,857</u>	<u>37,865</u>	<u>64,801,296</u>
Less accumulated depreciation	<u>19,227,659</u>	<u>1,612,508</u>	<u>33,865</u>	<u>20,806,302</u>
Total capital assets, being depreciated, net	<u>45,272,645</u>	<u>(1,273,651)</u>	<u>4,000</u>	<u>43,994,994</u>
Total Wastewater Utility capital assets, net	<u>\$ 46,556,255</u>	<u>\$ (1,272,451)</u>	<u>\$ 4,000</u>	<u>\$ 45,279,804</u>
<u>Electric Utility</u>	<u>Balance 01-01-18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-18</u>
Capital assets, not being depreciated:				
Land	\$ 701,589	\$ -	\$ -	\$ 701,589
Construction in progress	1,885,619	230,469	-	2,116,088
Total capital assets, not being depreciated	<u>2,587,208</u>	<u>230,469</u>	<u>-</u>	<u>2,817,677</u>
Capital assets, being depreciated:				
Buildings	3,949,241	97,133	-	4,046,374
Machinery and equipment	5,560,472	1,858,047	220,222	7,198,297
Infrastructure	38,823,160	475,352	1,987	39,296,525
Totals	<u>48,332,873</u>	<u>2,430,532</u>	<u>222,209</u>	<u>50,541,196</u>
Less accumulated depreciation	<u>25,115,207</u>	<u>1,449,986</u>	<u>220,222</u>	<u>26,344,971</u>
Total capital assets, being depreciated, net	<u>23,217,666</u>	<u>980,546</u>	<u>1,987</u>	<u>24,196,225</u>
Total Electric Utility capital assets, net	<u>\$ 25,804,874</u>	<u>\$ 1,211,015</u>	<u>\$ 1,987</u>	<u>\$ 27,013,902</u>

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>AES Utility</u>	<u>Balance 01-01-18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-18</u>
Capital assets, not being depreciated:				
Land	\$ 72,050	\$ -	\$ -	\$ 72,050
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>72,050</u>	<u>-</u>	<u>-</u>	<u>72,050</u>
Capital assets, being depreciated:				
Buildings	410,890	-	-	410,890
Improvements other than buildings	240,812	-	-	240,812
Machinery and equipment	<u>6,084,324</u>	<u>855,483</u>	<u>23,159</u>	<u>6,916,648</u>
Totals	<u>6,736,026</u>	<u>855,483</u>	<u>23,159</u>	<u>7,568,350</u>
Less accumulated depreciation	<u>896,254</u>	<u>202,080</u>	<u>74,409</u>	<u>1,023,925</u>
Total capital assets, being depreciated, net	<u>5,839,772</u>	<u>653,403</u>	<u>(51,250)</u>	<u>6,544,425</u>
Total AES Utility capital assets, net	<u>\$ 5,911,822</u>	<u>\$ 653,403</u>	<u>\$ (51,250)</u>	<u>\$ 6,616,475</u>

Capital asset activity for the year ended December 31, 2019, was as follows:

<u>Water Utility</u>	<u>Balance 01-01-19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-19</u>
Capital assets, not being depreciated:				
Land	\$ 735,068	\$ -	\$ -	\$ 735,068
Construction in progress	<u>82,708</u>	<u>1,130,501</u>	<u>-</u>	<u>1,213,209</u>
Total capital assets, not being depreciated	<u>817,776</u>	<u>1,130,501</u>	<u>-</u>	<u>1,948,277</u>
Capital assets, being depreciated:				
Buildings	3,643,415	-	-	3,643,415
Machinery and equipment	6,842,274	139,077	34,316	6,947,035
Infrastructure	<u>13,388,836</u>	<u>431,240</u>	<u>-</u>	<u>13,820,076</u>
Totals	<u>23,874,525</u>	<u>570,317</u>	<u>34,316</u>	<u>24,410,526</u>
Less accumulated depreciation	<u>7,806,648</u>	<u>477,490</u>	<u>34,316</u>	<u>8,249,822</u>
Total capital assets, being depreciated, net	<u>16,067,877</u>	<u>92,827</u>	<u>-</u>	<u>16,160,704</u>
Total Water Utility capital assets, net	<u>\$ 16,885,653</u>	<u>\$ 1,223,328</u>	<u>\$ -</u>	<u>\$ 18,108,981</u>

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Wastewater Utility</u>	<u>Balance 01-01-19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-19</u>
Capital assets, not being depreciated:				
Land	\$ 377,757	\$ -	\$ -	\$ 377,757
Construction in progress	907,053	871,113	-	1,778,166
Total capital assets, not being depreciated	<u>1,284,810</u>	<u>871,113</u>	<u>-</u>	<u>2,155,923</u>
Capital assets, being depreciated:				
Buildings	33,418,927	-	-	33,418,927
Infrastructure	20,155,932	389,043	-	20,544,975
Machinery and equipment	11,226,437	436,239	-	11,662,676
Totals	<u>64,801,296</u>	<u>825,282</u>	<u>-</u>	<u>65,626,578</u>
Less accumulated depreciation	<u>20,806,302</u>	<u>1,620,032</u>	<u>-</u>	<u>22,426,334</u>
Total capital assets, being depreciated, net	<u>43,994,994</u>	<u>(794,750)</u>	<u>-</u>	<u>43,200,244</u>
Total Wastewater Utility capital assets, net	<u>\$ 45,279,804</u>	<u>\$ 76,363</u>	<u>\$ -</u>	<u>\$ 45,356,167</u>
<u>Electric Utility</u>	<u>Balance 01-01-19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-19</u>
Capital assets, not being depreciated:				
Land	\$ 701,589	\$ -	\$ -	\$ 701,589
Construction in progress	2,116,088	242,967	2,084,567	274,488
Total capital assets, not being depreciated	<u>2,817,677</u>	<u>242,967</u>	<u>2,084,567</u>	<u>976,077</u>
Capital assets, being depreciated:				
Buildings	4,046,374	337,214	-	4,383,588
Machinery and equipment	7,198,297	366,106	1,018,037	6,546,366
Infrastructure	39,296,525	2,142,822	-	41,439,347
Totals	<u>50,541,196</u>	<u>2,846,142</u>	<u>1,018,037</u>	<u>52,369,301</u>
Less accumulated depreciation	<u>26,344,971</u>	<u>1,497,714</u>	<u>851,756</u>	<u>26,990,929</u>
Total capital assets, being depreciated, net	<u>24,196,225</u>	<u>1,348,428</u>	<u>166,281</u>	<u>25,378,372</u>
Total Electric Utility capital assets, net	<u>\$ 27,013,902</u>	<u>\$ 1,591,395</u>	<u>\$ 2,250,848</u>	<u>\$ 26,354,449</u>

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>AES Utility</u>	<u>Balance 01-01-19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-19</u>
Capital assets, not being depreciated:				
Land	\$ 72,050	\$ -	\$ -	\$ 72,050
Capital assets, being depreciated:				
Buildings	410,890	-	-	410,890
Improvements other than buildings	240,812	-	-	240,812
Machinery and equipment	6,916,648	617,803	32,578	7,501,873
Totals	<u>7,568,350</u>	<u>617,803</u>	<u>32,578</u>	<u>8,153,575</u>
Less accumulated depreciation	<u>1,023,925</u>	<u>227,051</u>	<u>-</u>	<u>1,250,976</u>
Total capital assets, being depreciated, net	<u>6,544,425</u>	<u>390,752</u>	<u>32,578</u>	<u>6,902,599</u>
Total AES Utility capital assets, net	<u>\$ 6,616,475</u>	<u>\$ 390,752</u>	<u>\$ 32,578</u>	<u>\$ 6,974,649</u>

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

	<u>2018</u>
Water	\$ 471,451
Wastewater	1,612,508
Electric	1,449,986
AES	<u>202,080</u>
Total depreciation expense	<u>\$ 3,736,025</u>
	<u>2019</u>
Water	\$ 477,489
Wastewater	1,620,032
Electric	1,497,714
AES	<u>227,051</u>
Total depreciation expense	<u>\$ 3,822,286</u>

C. Construction Commitments

Construction work in progress is composed of the following:

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	2018
Project	Expended to December 31
Water Utility:	
SCADA	\$ 32,601
Orchard Lane Main	2,854
AMI Project	25,158
Bond Issue Costs	22,095
 Total for Water Utility	 \$ 82,708
Wastewater Utility:	
Wastewater LTCP	\$ 65,104
Sewer Separation	3,062
Southeast Sewer Separation	838,887
 Total for Wastewater Utility	 \$ 907,053
Electric Utility:	
AEF Cold Storage	\$ 31,521
MSRP 6TH & Main	198,119
Heron Lake	21,073
Bridgewater	136,693
Zone C LCP	1,728,682
 Total for Electric Utility	 \$ 2,116,088
	2019
Project	Expended to December 31
Water Utility:	
SCADA	\$ 32,601
Orchard Lane Main	2,854
AMI Project	1,177,754
 Total for Water Utility	 \$ 1,213,209
Wastewater Utility:	
Wastewater LTCP	\$ 65,104
Sewer Separation	3,062
Southeast Sewer Separation	838,887
AMI Project	871,113
 Total for Wastewater Utility	 \$ 1,778,166
Electric Utility:	
AEF Cold Storage	\$ 31,521
MSPR AE Main ST	7,562
Auburn DR & Wayne ST	199,409
Byler Lane Fiber UG	35,996
 Total for Electric Utility	 \$ 274,488

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at December 31, 2018 and 2019 are as follows:

Purpose	Interest Rates	Balance at 12-31-18	Add: Unamortized Discount	Amount
Water Utility:				
2018 Waterworks refunding revenue bonds	3.80%	\$ 3,330,000	\$ 24,362	\$ 3,354,362
AES Utility:				
2011 Refunding Revenue bonds	2.00% to 4.75%	\$ 2,760,000	-	\$ 2,760,000

Purpose	Interest Rates	Balance at 12-31-19	Add: Unamortized Discount	Amount
Water Utility:				
2018 Waterworks refunding revenue bonds	3.80%	\$ 3,110,000	\$ 22,488	\$ 3,132,488
AES Utility:				
2011 Refunding Revenue bonds	2.00% to 4.75%	\$ 2,595,000	-	\$ 2,595,000

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		AES Utility	
	Principal	Interest	Principal	Interest
2020	\$ 110,000	\$ 49,194	\$ 170,000	\$ 110,238
2021	230,000	93,438	180,000	103,758
2022	230,000	86,538	185,000	96,638
2023	240,000	79,488	190,000	89,138
2024	250,000	72,288	200,000	81,088
2025-2029	1,320,000	246,489	1,140,000	261,083
2030-2034	730,000	39,975	530,000	25,414
Totals	<u>\$ 3,110,000</u>	<u>\$ 667,409</u>	<u>\$ 2,595,000</u>	<u>\$ 767,357</u>

2. Loans Payable

In 2009, the Utilities entered into a finance assistance agreement with the State of Indiana's Wastewater Revolving Loan program that allowed for a maximum of \$13,360,000 for improvements at the Wastewater treatment facility and sewer separation. As of December 31, 2018, the balance due was \$12,385,000 for the 2009 SRF Bond. As of December 31, 2019, the balance due was \$11,465,000 for the 2009 SRF Bond. The following debt service requirements to maturity reflect the anticipated loan payments:

CITY OF AUBURN MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

	Wastewater Utility	
	Principal	Interest
2020	\$ 950,000	\$ 277,381
2021	970,000	253,792
2022	1,010,000	229,587
2023	1,030,000	204,516
2024	1,070,000	178,828
2025-2029	5,815,000	478,562
2030-2034	620,000	7,657
Totals	\$ 11,465,000	\$ 1,630,323

3. Capital Leases

In 2018, the Utilities entered into two finance lease agreements, one in the amount of \$1,000,000, and one in the amount of \$1,262,250. The lease proceeds were used for equipment improvements for the Electric Utility. The following debt service requirements to maturity reflect the anticipate lease payments:

	Electric Utility	
	Principal	Interest
2020	\$ 367,250	\$ 46,911
2021	377,561	36,600
2022	388,117	26,045
2023	398,971	15,190
2024	194,949	5,341
2025	49,687	386
Totals	\$ 1,776,535	\$ 130,473

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 284,380	\$ 3,330,000	\$ 284,380	\$ 3,330,000	\$ 110,000
Wastewater Utility:					
State Revolving Fund loan payable	\$ 13,285,000	\$ -	\$ 900,000	\$ 12,385,000	\$ 920,000
Electric Utility:					
Capital lease payable	\$ -	\$ 2,262,250	\$ 130,647	\$ 21,031,603	\$ 357,318
AES Utility:					
Revenue bond payable	\$ 2,920,000	\$ -	\$ 160,000	\$ 2,760,000	\$ 165,000

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-term liability activity for the year ended December 31, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility					
Revenue bond payable	\$ 3,330,000	\$ -	\$ 220,000	\$ 3,110,000	\$ 110,000
Wastewater Utility					
State Revolving Fund loan payable	\$ 12,385,000	\$ -	\$ 920,000	\$ 11,465,000	\$ 950,000
Electric Utility					
Capital lease payable	\$ 2,131,603	\$ -	\$ 357,318	\$ 1,774,285	\$ 367,250
AES Utility					
Revenue bond payable	\$ 2,760,000	\$ -	\$ 165,000	\$ 2,595,000	\$ 170,000

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	2018 Water Utility	2018 Wastewater Utility	2018 Electric Utility	2018 AES Utility
Depreciation	\$ 60,164	\$ 3,613,779	\$ 299,775	\$ 536,471
Bond and interest	3	619,637	-	-
Replacement	-	1,521,811	-	-
Construction	3,284,044	-	-	-
Debt service reserve	323,338	1,384,772	-	-
Cash reserve	2	20,684	81,309	-
Customer deposits	69,152	88,142	290,471	-
Total restricted assets	<u>\$ 3,736,701</u>	<u>\$ 7,248,825</u>	<u>\$ 671,555</u>	<u>\$ 536,471</u>
	2019 Water Utility	2019 Wastewater Utility	2019 Electric Utility	2019 AES Utility
Depreciation	\$ 236,031	\$ 2,739,572	\$ 54,581	\$ 728,174
Bond and interest	19	624,288	-	-
Replacement	-	1,463,884	-	-
Construction	2,197,538	-	-	-
Debt service reserve	323,337	1,413,648	-	-
Cash reserve	22	14	9	-
Customer deposits	71,057	92,617	297,641	-
Total restricted assets	<u>\$ 2,828,004</u>	<u>\$ 6,334,023</u>	<u>\$ 352,231</u>	<u>\$ 728,174</u>

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future water revenues, net of specified operating expenses, to repay revenue bonds issued in 2018. Proceeds from the bonds provided financing for waterworks improvements projects AMI. The bonds are payable solely from water net revenues and are payable through 2032. Annual principal and interest payments are expected to require less than 12 percent of operating revenues.

Wastewater Utility Revenues Pledged

The Utility has pledged future wastewater revenues, net of specified operating expenses, to repay revenue bond issued in 2009. Proceeds from the bonds provided financing for Wastewater collection and treatment system improvements. The bonds are payable solely from wastewater net revenues and are payable through 2030. Annual principal and interest payments are expected to require less than 25 percent of operating revenues.

AES Utility Revenues Pledged

The Utility has pledged future AES revenues, net of specified operating expenses, to repay revenue bonds issued in 2011. Proceeds from the bonds provided financing for AES improvements. The bonds are payable solely from AES net revenues and are payable through 2031. Annual principal and interest payments are expected to require less than 7 percent of operating revenues.

Electric Utility Revenues Pledged

The Utility has pledged future electric revenues, net of specified operating expenses, to repay leases issued in 2018. Proceeds from the leases provided financing for updating equipment. The leases are payable solely from electric net revenues and are payable through 2025. Annual principal and interest payments are expected to require less than 2 percent of operating revenues.

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on April 18, 2018. The Utility had 5,299 customers at December 31, 2019.

2. Wastewater Utility

The current rate structure was approved by the Utility on March 1, 2014. The Utility had 5,422 customers at December 31, 2019.

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on December 17, 2014. The Utility had approximately 7,612 customers at December 31, 2019.

4. Auburn Essential Services Utility

The current rate structure was approved by the Utility on March 4, 2008. The Utility had 4,930 customers at December 31, 2019.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

Financial Report

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF AUBURN MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities was not utilized by management to add this data to the financial statements.

D. Other Post-Employment Benefits

The City and the Utilities provide medical benefits to eligible retirees and their spouses. These benefits pose a liability to the City and the Utilities for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

OTHER REPORTS

In addition to this report, other reports may have been issued for the Utilities. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.