



CITY OF AUBURN, AL
ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2023

WIRE ROAD SOCCER COMPLEX

MANAGEMENT TEAM



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James McLaughlin, *Municipal Judge*

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Justice Cotton, *Planning Director*

Cedric Anderson, *Police Chief*

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Keith Williams, *Public Services Executive Director*

Dan Ballard, *Public Works Director*

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CITY COUNCIL

Ron Anders, Jr., *Mayor*

Connie Fitch Taylor, *Ward 1*

Kelley Griswold, *Ward 2*

Beth Witten, *Mayor Pro Tem, Ward 3*

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City of Auburn

City of Auburn, Alabama
 Annual Comprehensive Financial Report
 For the Fiscal Year Ended September 30, 2023

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City of Auburn

Home of Auburn University

Letter of Transmittal

March 27, 2024

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

The Annual Comprehensive Financial Report (ACFR) of the City of Auburn (the government) for the fiscal year ended September 30, 2023, is hereby transmitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City of Auburn management. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government and its component units. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included in this report.

The Report

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, a map of the City, and the primary government's organization chart. The financial section includes the management's discussion and analysis (MD&A), the basic financial statements including notes for the primary government and its separately presented component units, required supplementary information, and the primary government's combining and individual financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The MD&A contains a narrative introduction, overview, and analysis of the City's financial statements. It should be read in conjunction with this letter of transmittal. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. In contrast to the financial section information, the statistical section information has not been audited.

This report includes all funds of the primary government and its component units. The primary government provides a full range of services. These services include public safety, public works, development services, environmental services, culture and recreation, economic and community development, and general administrative services. Component units of the City of Auburn include the Auburn City Board of Education, Water Works Board of the City of Auburn, Industrial Development Board of the City of Auburn, Commercial Development Authority of the City of Auburn, Auburn Downtown Redevelopment Authority, and City of Auburn Public Park and Recreation Board. All have been included as separately presented component units of the City's reporting entity in the annual report. Please see note 1.A for details of the reporting entity.

Governmental Accounting Standards Board (GASB) Reporting Requirements The City of Auburn presents financial information that meets the requirements of accounting standards issued by the GASB. Each year, management evaluates new GASB reporting requirements to determine applicability to the City. The requirements issued by GASB that became effective during this fiscal period and those that will become effective in the next fiscal period are described in this section.

The City implemented the following statements during fiscal year 2023:

- GASB Statement 91, "Conduit Debt Obligations," provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement does not currently affect the City.
- GASB Statement 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. This statement does not currently affect the City.
- GASB Statement 96, "Subscription-Based Information Technology Arrangements," provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

Management is aware of the following statements that become effective for the fiscal 2024 reporting period and will implement those applicable to the City:

- GASB Statement 100, "Accounting Changes and Error Corrections," enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- GASB Statement 101, "Compensated Absences," updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

City Profile

The City of Auburn, located in east central Alabama, is a thriving and diverse university-based community. The City was incorporated in Lee County in February of 1839. The establishment of Auburn University in 1856 marked the beginning of a mutually beneficial partnership producing what *Demographics Daily* recognized as a small city "dream town," offering a high quality of life to all its citizens.

During 2023, Niche.com ranked Auburn No. 4 on its list of the places with the best public schools in Alabama and No. 7 on its list of the best places to live in Alabama. Milken Institute ranked the Auburn-Opelika area No. 26 on its list of the 2024 best performing small cities in the U. S. The

ranking is based on 13 indicators that cover labor market conditions, high-tech impact, and access to economic opportunities.

Located near Georgia's west central border, Auburn is conveniently located on Interstate Highway 85, 105 miles southwest of Atlanta and 50 miles east of Montgomery, the Alabama State Capital. Auburn is 210 miles southeast of Huntsville, the largest city in Alabama, and is 35 miles northwest of Columbus, Georgia's second largest city. With easy access to highway, rail, and air transportation, Auburn's location has been a significant factor in its continuing growth.



Auburn is conveniently located on Interstate 85.

Auburn has been among the fastest growing communities in Alabama, since beginning humbly in 1900 with a population of 1,831. During the past five decades, the City has seen tremendous growth from 22,767 residents in 1970 to 80,006 residents in 2022 per the U. S. Census Bureau. As the population has grown and the economic base diversified, the City of Auburn has responded with expanded and innovative government services to provide for the needs and the expectations of a highly educated and multicultural citizenry.

Auburn has a Council-Manager form of municipal government. The City Council consists of nine members: eight elected from eight single-member wards, and the Mayor, who is elected at large. This legislative body establishes policy to guide the various City departments in providing services to its citizens. The City Manager is the chief executive officer of the City, directing and managing the daily activities of the city government. Megan McGowen Crouch has served as City Manager since February 2021.

Approximately 553 regular, full-time employees staff these departments, producing high quality and cost-effective public services.

Major Initiatives

In fiscal year 2023, the City continued to prioritize school funding. The City contributed \$18.3 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

The City spent \$4.6 million of its Coronavirus Local Fiscal Recovery Funds, a part of the American Rescue Plan. East Alabama Healthcare Authority (EAH) received \$3.3 million from the City to assist with unreimbursed contract staff expenses incurred during their COVID-19 response. The City also used \$1.3 million of the funding towards several projects, including new ventilation systems in two public gymnasiums and replacement of a 70-year-old waterline on Martin Luther King Drive.

Construction continued on Will Buechner Parkway which is approximately 1.5 miles of new roadway connecting Martin Luther King Drive and Richland Road. The project also includes a multi-use path adjacent to the new roadway, two new signalized intersections, and installation of a waterline.

Renovations began on the Jan Dempsey Community Arts Center which includes improvements to the existing building, as well as adding 8,000 square feet to the Center. The additional space will have a multi-purpose room, dance studio and ceramics studio.

Work began on the Martin Luther King Drive streetscape improvements. This project will enhance the streetscape along Martin Luther King Drive between Shug Jordan Parkway and Donahue Drive by adding a 10-foot-wide multi-use path, decorative pedestrian lighting, landscaping, medians, and storm and sanitary sewer extensions.

Construction began on the Lake Wilmore Community Center. This 53,000 square foot recreational facility will include an elevated walking track, multi-use courts, locker rooms, covered and heated swimming pool, fitness facilities, and multi-purpose rooms. There will also be 12 covered pickleball courts and a pad for six future courts.

Work was completed on the new Environmental Services and Public Works facility which includes three new buildings and warehouse space for Environmental Services, Public Works and Fleet Services, along with pole barns, a wash building and a fuel depot. Improvements to the Auburn Soccer Complex were also completed during fiscal 2023. Improvements include a new 20,600 square foot multi-purpose building, new free-standing restroom pavilion building, three new multi-purpose fields with sidewalks, expanded parking, and a new roundabout at the main entrance on Wire Road. This is also the City's first recreational facility with artificial turf, which was installed on three of the new fields.

Government Services

The City of Auburn is organized into four business units that are comprised of 20 departments. This business unit structure was implemented with the goal of developing an innovative, efficient, accountable organizational structure capable of meeting the demands of a quickly growing community well into the future.

Administrative Services

Economic Development
Finance
Human Resources
Information Technology
Judicial
Office of the City Manager

Development Services

Development Services Administration
Planning Services
Inspection Services
Community Services
Engineering Services

Public Safety Services

Public Safety Administration
Police
Fire

Public Services

Public Services Administration
Water Resource Management
Public Works
Library
Parks and Recreation
Environmental Services

Public Safety Services Public Safety Services is comprised of three departments: Police, Fire, and Administration. In fiscal year 2023, the business unit handled and/or responded to 204,821 calls. The Police Department includes 148 full-time and 17 part-time sworn officer positions, providing an average emergency call response time of 2-3 minutes. The Police Department has provided police service for the campus of Auburn University since 2004. The Auburn University Precinct is staffed with 39 officers and managed by an Assistant Police Chief. In 2001, the City and Lee County, Alabama initiated an agreement for the County to provide jail services for the City. The City pays the County a charge per inmate. The City also pays for medical care for prisoners who must be given care outside of the jail.

The Fire Department includes 84 regular, full-time firefighters and an average of 44 student firefighters, operating six fire stations which provide service to residents in the City of Auburn as well as the campus of Auburn University. The City currently has a 2/2X fire insurance rating. This is a good rating and equates to lower insurance rates for Auburn's citizens. Ambulance services are provided via a contract with East Alabama Medical Center. The Fire Department added a rescue truck to its fleet and advanced life support operations in fiscal 2022, with the capability to supplement transport services during times of peak demand.

Emergency Management and Communications, a division of the Public Safety Administration Department, provides E-911 emergency response and dispatch services to the public and coordinates preparedness, notifications and response regarding critical incidents. The Division is comprised of 18 full-time and five part-time staff members.

Public Services The City's Public Works Department oversees the maintenance of City infrastructure including streets, sidewalks, stormwater and drainage facilities, landscape areas including medians and traffic islands, and right-of-way vegetation. The City expends approximately \$3.0 million per fiscal year on road maintenance. The City roadway system currently includes over 720 lane miles of paved streets. Public Works also maintains 185 miles of sidewalk, 2,700 acres of right-of-way, 13,000 street trees, 167 miles of storm sewer system, and 23 City owned facilities.

Given Auburn University's origins as an agricultural and mechanical college, it is not surprising that Auburn's residents give a high priority to its environmental quality of life. Environmental Services collects household waste, recyclables, and yard waste, offering citizens their choice of lower-cost curbside collection or higher-fee back yard collection service. During fiscal year 2023, approximately 18,284 households were served with 17,992 tons of garbage, 2,738 tons of recycling and 11,593 tons of yard waste collected.

In an effort to provide residents the opportunity to do a holistic cleanup around their properties each spring, Environmental Services provides an annual trash amnesty period where fees are waived for oversized debris piles. Environmental Services also hosts a biannual household hazardous waste collection event and an annual comprehensive neighborhood clean-up event. During fiscal year 2023, the household hazardous waste collection events had over 900 participants that disposed of 37 tons of material.

The goal of Fleet Services, a division of Environmental Services, is to procure safe, dependable, cost-effective equipment and furnish quality vehicle maintenance services for the City of Auburn. These support services enable the City to provide excellent service to its citizens. The City's fleet is comprised of 834 units. These units range from small equipment, such as lawnmowers, to large construction equipment. Environmental Services is also responsible for animal control which processed 1,344 service requests during fiscal 2023.

The Auburn Public Library had a record-breaking year in fiscal 2023 with library patrons checking out 656,845 items, including books, audiobooks, eBooks, and movies. This is a 20% increase from fiscal year 2022. A trend of high demand for physical items continues with physical circulation outpacing digital circulation with five physical items circulating for every one digital item. The staff answered 56,303 questions for patrons this year and purchased 25,676 titles specifically requested by community members. Meeting space was also in demand with 1,158 meeting room bookings.

There are 36 internet-connected computer workstations available to the public at the Auburn Public Library. During fiscal 2023, there were 27,200 logins on these computers. Additionally, the Auburn Public Library offers wireless internet access through AuburnWeb, the City's public wi-fi network, for patrons bringing their own laptops, tablets, and other portable devices.

The Library collection at APL@Boykin, a micro-library located within the Boykin Community Center, expanded to include over 1,600 new items with funds provided through a Library Services and Technology Act grant. This location provides more immediate service to Northwest Auburn, as well as Auburn Day Care, Joyland Child Development, the Boys and Girls Club, and the senior groups that meet at the Center. Community members can also pick up holds and drop off returns at APL@Boykin.

Programs offered by the Auburn Public Library had attendance of 31,310 community members and included early literacy story time, puppet shows, the Third Grade Reading Dragons, the Summer Learning Challenge, a virtual book club for adults, financial literacy workshops, research classes, multilingual & multicultural programs, community English conversation classes, and one-on-one technology assistance, some sponsored in part by the Auburn Public Library Foundation. The Library hosted a Reading Rally with Malcolm Mitchell, author and former NFL wide receiver. All third graders in Auburn City Schools had a chance to rally for reading and received a book at this special Auburn Public Library event. The Library also hosted a variety of local authors and special guests. Outreach activities included visits to the Boykin Senior Center, the Auburn University College of Business Women's Entrepreneur Workshop, the Christian Women's Job Corps, the Auburn Housing Authority, local homeschool organizations, and local daycare centers.

The Parks and Recreation Department maintains 16 City parks, four cemeteries, and numerous recreation facilities. These include three recreation centers, a community arts center, an award-winning inclusive playground, one pool, four youth baseball complexes, a ten-field soccer complex, a skate park, three dog parks, 33 miles of bike paths, a five-field competition class softball complex, an award-winning 34 court tennis center, six pickleball courts, and more. Parks and Recreation provides organized team sports leagues for football, basketball, soccer, baseball, volleyball, track, and softball. Additional programming includes music and dance lessons, ceramics, summer day camps, adult 50+ programs, special needs programming, and aquatics. Annual events offered by the Parks and Recreation Department include Daddy Daughter Date Night, an Easter egg hunt, Auburn CityFest, an Independence Day celebration, a farmer's market, and many more.

Development Services The Engineering Services Department plans, organizes and directs the design and construction of infrastructure and engineering programs, projects and activities. The department provides engineering services and project management for the City's streets, sidewalks, bridges, drainage structures and traffic signals, while also maintaining proper traffic control signage and street name signs. Traffic Engineering maintains 72 signalized intersections

which all communicate with the traffic control center, along with approximately 2,000 streetlights, 144 LED edge lit signs, 5,535 street signs, 1,416 street name signs and 16 solar powered rapid flashing beacons at eight pedestrian mid-block crossings.

The Inspection Services department completed over 20,000 inspections, 30% of which were commercial developments, 60% of which were residential, and the remaining 10% were property maintenance inspections. City inspectors completed an average of 80 inspections a day throughout the year to ensure developments are meeting the City's standards to create safe, reliable housing and businesses in our community.

Education Services Auburn City Schools provide services to more than 9,400 students. The district experiences record enrollment growth each year as parents are drawn to the excellent teachers, facilities and programming.

Currently, students are housed on 14 separate campuses. These campuses include ten elementary schools, one 6th grade school, one 7th grade school, one 8th-9th grade junior high school, and one 10th-12th grade high school. Excellent choral, drama, art, band, academic teams, sports, and other extracurricular programs are offered. All schools have a media center, art teacher, music teacher, and one or more full-time counselors.

The City school system is accredited by the State Department of Education and Cognia. Auburn High School consistently produces an average of ten National Merit finalists/semi-finalists each year from the senior class. For the class of 2023, the graduation rate for Auburn High School was 96% and seniors were awarded more than \$25.1 million in scholarships. Concurrent college enrollment, through Auburn University, University of Alabama and Southern Union State Community College, is available for students who wish to take courses not taught at Auburn High School.

There are numerous colleges and technical schools within a 50-mile radius of Auburn.

Auburn University, Auburn	Columbus State University, Columbus, GA
Tuskegee University, Tuskegee	LaGrange College, LaGrange, GA
Huntingdon College, Montgomery	Southern Union State Community College, Opelika
Faulkner University, Montgomery	Chattahoochee Valley Community College, Phenix City
Auburn University, Montgomery	Central Alabama Community College, Alexander City
Troy University at Montgomery	Alabama State University, Montgomery
Point University, West Point, GA	

Auburn University, located adjacent to downtown Auburn, is a comprehensive research institution blending arts and applied sciences. The student body is taught by approximately 1,435 full-time faculty members, and the student to faculty ratio is 20 to 1. The University is nationally known for the achievements of its veterinary medicine, engineering, and business graduates. Auburn offers degrees in 15 schools and colleges with over 150 majors at the undergraduate, graduate, and professional levels. Auburn has awarded more than 315,000 academic degrees since it opened in 1856.

As the City's largest employer with over 5,500 full-time employees, Auburn University is a major contributor to the local economy. Enrollment was 33,015 for the fall semester of the 2023/2024 academic year.

Southern Union State Community College is located in Auburn's sister city, Opelika, the Lee County seat. Southern Union is located five miles from Auburn and offers courses in business, accounting, computer science, industrial electricity and electronics technology, automotive mechanics technology, welding, and more.

Utilities The Water Works Board of the City of Auburn, draws from Lake Ogletree as its main source, with secondary sources from two groundwater wells (Well No. 3 located on Highway 29 South and Well No. 4 located on Sandhill Road) and Opelika Utilities, provides potable water services. The City's Water Resource Management (WRM) Department also provides the wastewater treatment services for the City, with a permitted treatment capacity of 27.2 million gallons per day. The City's stormwater program is managed by WRM, as well. The Watershed Management Division coordinates and implements the Phase II Stormwater Regulations published by the federal government in 1999, while offering educational opportunities about stormwater issues and enforcing the City's erosion and sediment control ordinance.

Healthcare The Auburn area is served by East Alabama Health (EAH). Among the many services that EAH provides are open-heart surgery and cancer treatment, both of which are highly acclaimed specialties at the hospital. EAH received the Healthgrades 2023 Cardiac Surgery Excellence Award and is a five-star recipient for coronary bypass surgery and a five-star recipient for carotid procedures. EAH was also recognized by the Women's Choice Best Hospitals Award as one of the top 10% of hospitals for obstetrics, top 9% for cancer care, and top 7% for orthopedics.

The hospital has over 3,500 employees, making it the second largest employer in Lee County. EAH facilities in Auburn include Rehab Works, the Auburn University Medical Clinic on the Auburn University campus and the Auburn Medical Pavilion. The Auburn Medical Pavilion opened in phases starting in June 2021 and houses an outpatient surgery center, in-house pharmacy, breast health center, outpatient lab and radiology services, and a freestanding emergency department (FED). This 12-bed, level 3 trauma center is one of eight FEDs in Alabama.

Transportation The Auburn area is highly accessible by various transportation modes. Situated at the intersections of Interstate 85 with US Highways 280 and 29, the cities of Atlanta, Montgomery and Birmingham are all within an easy two-hour drive. Auburn is served by four trucking terminals, all within 25 miles of the City, three overnight delivery services, and two commercial bus lines.

Auburn University operates the Auburn University Regional Airport with the financial support of the three local governments in Lee County. Other conveniently accessible airports include Hartsfield-Jackson Atlanta International Airport (100 miles by Interstate 85), the Columbus, Georgia regional airport (40 miles by US 280), and the Montgomery, Alabama regional airport (60 miles by Interstate 85). CSX Transportation provides local mainline rail service through its Southern Railway and Western Railway of Alabama divisions.

Factors Affecting Financial Conditions

Local Economy

From the founding of Auburn University in 1856, the City's economy has been dominated by the University's presence. The University's students and faculty were attracted to the quality of life in Auburn and wanted to remain in the City on a long-term basis. Consequently, many were overqualified for the available jobs, but chose to accept under-employment to remain in Auburn.

In the mid-1980's, the City government began a conscious effort to strengthen the City's economic base through diversification. The City government established an Economic Development Department, whose mission is to recruit small- to medium-sized technology-based companies that offer a high level of employment to citizens, with the corresponding improvements in salaries and benefits.

The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having announced the recruitment of more than fifty-five companies, resulting in the announcement of nearly 8,000 jobs over the last three decades. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks.

In 2023, the Industrial Development Board purchased additional land to further expand the developable area in and around Auburn Technology Park West. As the City's existing companies continue to grow and expand, the need for additional developable land for the growing industrial base has become an increasing priority for the Industrial Development Board. The land acquired in 2023 and contracted for purchase in 2024 will provide new opportunities to recruit quality companies to the area, providing employment opportunities for Auburn and the surrounding area.

The City's Commercial Development Incentive Program has assisted new and redeveloped commercial enterprises in the City. The tangible success of the program has been demonstrated all over the City – an urban Target on College Street, a Publix in the downtown core, Buc-ee's at exit 50, and increased synergy around the mall and on Opelika Road with the addition of Home Goods.

The City's Community Services Department, a branch of the Development Services Business Unit, provides various opportunities to improve the quality of life for Auburn's citizens. The Community Services Department administers the Community Development Block Grant (CDBG) Program. These federal funds help facilitate programs targeted explicitly to housing, public infrastructure, public service, and special economic development activities which will directly impact citizens identified as low- to moderate- income. Affordable housing, emergency housing rehab, and homeless prevention (utility, rental, homeless persons overnight shelter, and mortgage assistance) are some programs available to qualifying citizens in need. The East Alabama Food Bank, North Auburn Housing Development Corporation, Esperanza House, and Presbyterian Community Ministries are a few agencies that administer CDBG funding and provide supportive services directly to applicants residing within the City limits. Along with the Community Services Department, several other tenants such as Auburn Day Care Center, Auburn Senior Center, Boys and Girls Clubs of East Alabama, Joyland Development Center, Auburn Community Development Corporation (Boykin Food Pantry), and the Auburn University Health Care and Education Clinic operate out of the Boykin Community Center to provide services to and help meet the needs of qualifying citizens. The Community Services Department is also responsible for the day-to-day operations of the Boykin Community Center.



Boykin Community Center

In an effort to leverage funds to finance economic development activities to create and retain jobs, the City of Auburn was approved for a Section 108 Loan sponsored by the U.S. Department of Housing and Urban Development (HUD). Section 108 funds are used to fund business loans and provide financing for commercial and industrial loans for undertaking special economic development activities and to offer short-term loans for active small businesses and small business start-ups. Currently, there are two (2) active loans issued to entities operating within the City of Auburn committed to job creation for low- to moderate- income workers.

In fiscal 2023, building permits were issued for 391 new single-family detached residences valued at \$136.9 million and 78 new single-family attached residences valued at \$20.1 million. The average valuation for single-family detached homes was \$350,089 and \$257,950 for single-family attached homes. Also, 44 new commercial and industrial facilities valued at \$161.1 million were permitted during fiscal 2023.

CompPlan 2030

CompPlan 2030 is the City of Auburn's plan for future growth and development. The plan looks forward 20 years and provides recommendations for the future based on public input, analysis of existing future conditions, and the best practices of planning. CompPlan 2030 focuses on how the City uses the land, now and in the future; how land use and the built environment affect the natural world, and vice-versa; schools, parks and other facilities that form the civic foundation of the City; and the many forms of transportation that link everything together. The plan represents an achievable, comprehensive vision for Auburn's future growth and development that reflects input from a broad array of plan stakeholders.

First adopted in October 2011, the plan is updated regularly to ensure it remains relevant over time. The last update was adopted in February 2018, and the City is currently working on the next update. CompPlan 2030 is a dynamic document, and comprehensive planning is an ongoing process. The update of CompPlan 2030 is an opportunity to incorporate incremental land use changes that have taken place over the past five years and identify planning needs for the next five years.

Risk Management

The City of Auburn's risk management program includes identification and analysis of loss exposures and the selection of appropriate risk management techniques for specific loss exposures. The City uses a combination of risk reduction and risk financing techniques. The risk reduction techniques include loss prevention and loss reduction through periodic inspections and training. While insurance or self-insurance is used for risk financing, some loss exposures are retained by the City and paid for out of the operating budget.

Long-term Financial Planning

The City's capital improvements plan identifies potential capital projects for fiscal years 2023 through 2028. Project areas include sidewalk and neighborhood projects, downtown improvements, technology investments, public safety projects and major equipment, parks and cultural projects, and City facility improvements. Various funding options, including debt and grants, will be identified at the appropriate time. Several of the most significant projects planned or in progress are listed below.

- South College Street and Samford Avenue intersection improvements

- Lake Wilmore Community Center
- Lake Wilmore Multi-Purpose Fields
- Boykin Donahue Campus Improvements
- Public Safety Training Center
- Martin Luther King Drive Streetscape

Financial Information

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate data are compiled to allow for the presentation of financial statements in conformance with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) that valuation of costs and benefits requires estimates and judgments by management.

Single Audit As a recipient of federal and state financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's audit in accordance with generally accepted government auditing standards, tests are made to determine the adequacy of the internal control structure, including that portion related to federal assistance programs, as well as to determine that the government has complied with applicable laws and regulations.

Budgeting Although accountability for budgetary compliance is held at the department level, budgetary tracking is maintained at the line-item level by the encumbrance of actual or estimated purchase amounts prior to the release of purchase orders to vendors. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The City Manager has the authority to adjust between budget line items.

The City has been using biennial budgeting since fiscal 2001. The objectives of a biennial budget process are two-fold: to give the Council and City management a longer time horizon for budgeting and to reduce the amount of staff time required for developing and adjusting the budget. In an effort to streamline the budget process with the City's operational and capital considerations, the City will adopt a one-time annual budget for fiscal 2025. The biennial budget process will resume for fiscal years 2026-2027. With a biennial budget, the mid-year review is streamlined and there is an in-depth Mid-Biennium Review. Also, a comprehensive revenue review is completed periodically to evaluate the City's revenue structure.

Ordinances and resolutions enacted during the year by the governing body are incorporated into the budget through amendments at mid-biennium and, if necessary, at fiscal year-end. Activities of the General Fund, the debt service fund, and most special revenue funds are included in the budget. Encumbrances for outstanding purchase orders lapse at year-end; however, departments may request, with City Manager approval, a carryover of encumbrances should a positive budget balance remain. All encumbrances associated with contracts are signed commitments of the government and will be re-appropriated at the beginning of the new fiscal year.

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the financial section of this report are presented in accordance with GAAP; that is, all capital outlays have been aggregated in a single line captioned "capital outlay." Debt service expenditures are presented in a single line caption in the GAAP financial statements, as well.

Cash Management and Investments It is the policy of the City to invest public funds not required for immediate operations in a manner that will provide the highest investment return while protecting the City's funds. The priorities for City investments shall be safety, liquidity, and return on investment, applied in that order. All financial institutions holding City deposits are Qualified Public Depositories (QPD) authorized by the Security for Alabama Funds Enhancement (SAFE) program. The SAFE program provides a collateral pool administered by the Alabama State Treasurer.

During fiscal year 2023, idle cash was invested in U.S. treasury notes, U.S. treasury bills, and federal agency securities with 1 month – 5 year terms and rates ranging from 0.13% to 5.60%. The City's idle cash was also invested in various money market accounts and certificates of deposit with rates ranging from 0.15% to 4.88%. The City's demand deposit operating account earned 0.60% to 1.40% during the fiscal year.

During fiscal year 2023, the City invested the debt proceeds from four capital projects issued in four separate construction cash money market accounts with rates ranging from 2.50% to 5.02%.

General Fund Reserves The City Council has adopted a policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing uses. Management has an informal goal of 25%. The ending fund balance as a percentage of expenditures and other financing uses for the fiscal 2023 period was 73.3%, exceeding management's informal goal.

Other Information

Independent Audit The government is required by State law to undergo an annual audit by independent public accountants. To meet federal requirements of the Single Audit Act Amendments of 1996, and the resultant issuance of OMB Circular No. A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*) and the Uniform Guidance effective December 26, 2014, the City's audit report must be signed by a certified public accountant. The accounting firm of Machen McChesney completed the City's fiscal year 2023 audit. The auditor's report on the basic financial statements and the combining and individual fund statements and schedules is included in the *financial* section of this report.

Information related to this Single Audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are generally meaningful only to oversight agencies and therefore have not been included in this report. This information is contained in a separate Single Audit report, which is available for review at the Office of the City Manager in City Hall at 144 Tichenor Avenue, Auburn, Alabama.

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Auburn, Alabama, for its annual report for the fiscal year ended September 30, 2022. This was the thirty-sixth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current annual report continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) from the GFOA for its annual report for the fiscal year ended September 30, 2022. Governments that wish to participate in the PAFR program must submit the annual comprehensive financial report to the GFOA's Certificate of Achievement for Excellence in Financial Reporting for the current fiscal year and ultimately receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting for the current fiscal year.

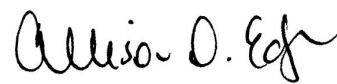
In addition, the City has also received a GFOA Award for Distinguished Budget Presentation for its biennium beginning October 1, 2022. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

Acknowledgments The preparation of the annual comprehensive financial report could not be accomplished without the dedicated services of an efficient Finance Department staff, including adjunct members in other City departments. We express appreciation to each member of the Department and to those members of other City departments for their contributions made in the preparation of this report.

In closing, the commitment to the achievement of mandated priorities speaks to the progressive leadership and dedication to public service of the Mayor and the City Council. Their support for a policy of financial integrity has been instrumental in the preparation of this report.



Megan McGowen Crouch
City Manager



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



City of Auburn



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Auburn
Alabama**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

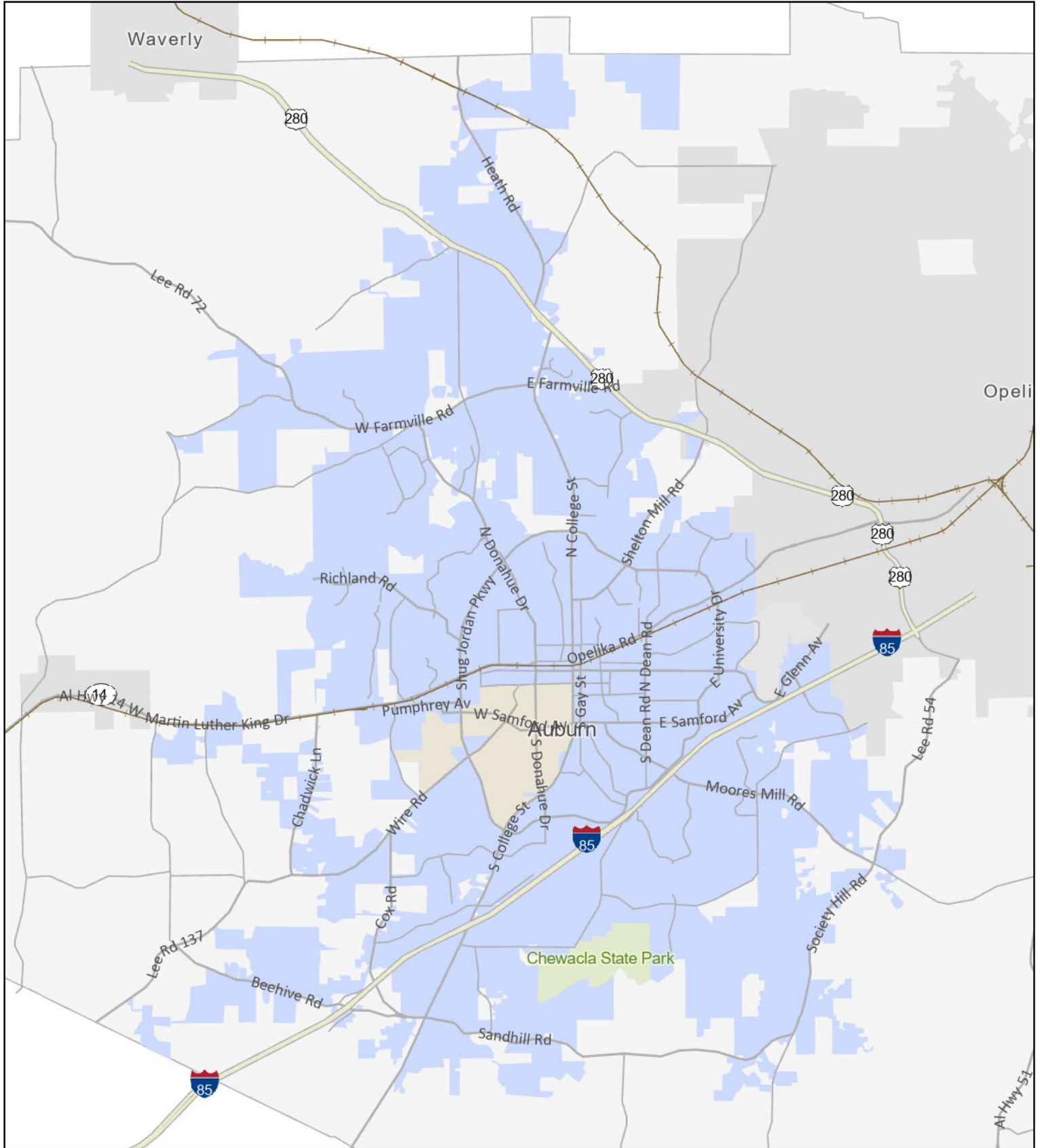
September 30, 2022

Christopher P. Morill

Executive Director/CEO

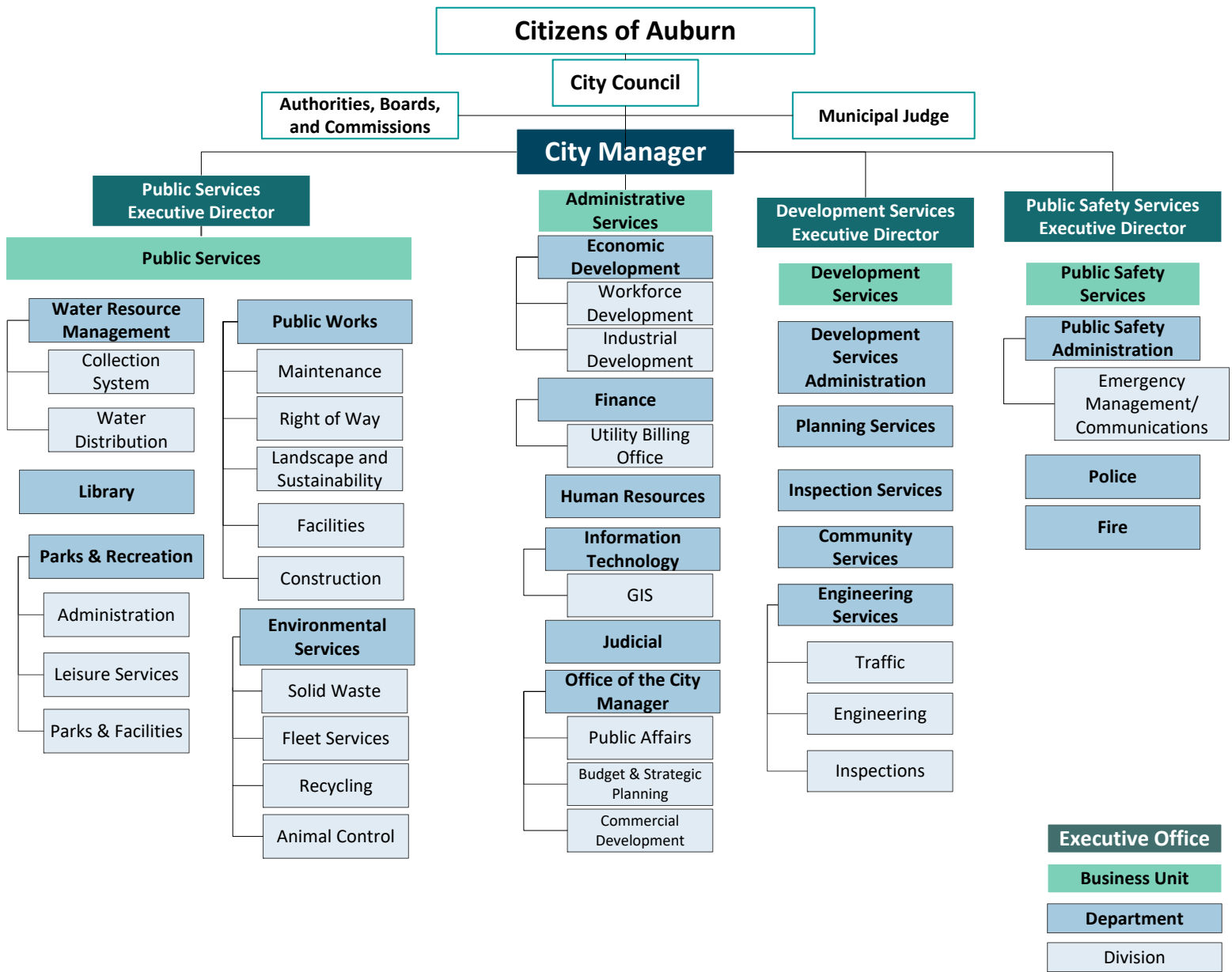
MAP OF THE CITY OF AUBURN

for the fiscal year ending September 30, 2023



GIS Division
01/18/2024

The City of Auburn, Alabama does not guarantee or warrant the accuracy of this map or any information contained herein. Information may contain errors and should be verified by an appropriately qualified, licensed and independent professional.





City of Auburn

INDEPENDENT AUDITOR'S REPORT

The Honorable Ron Anders, Jr., Mayor
Members of the City Council and City Manager
City of Auburn, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Auburn, Alabama's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn, Alabama, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Special School Tax Fund and the CV Local Fiscal Recovery Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Water Works Board of the City of Auburn and the City of Auburn Industrial Development Board were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the City of Auburn, Alabama and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Auburn, Alabama's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Auburn, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Auburn, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Auburn, Alabama's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 29 through 62), pension information (pages 171 through 172), and OPEB information (page 173) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, the capital asset schedules, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the respective budgetary comparison for the special revenue and debt service funds, the discretely presented nonmajor component unit financial statements, and the capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the City of Auburn, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Alabama's internal control over financial reporting and compliance.

Machen McChesney, LLP

Auburn, Alabama
March 27, 2024



City of Auburn

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Auburn's Annual Comprehensive Financial Report presents City management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year that ended on September 30, 2023. Please read this in conjunction with the City's financial statements and the accompanying notes, which follow this section, and the additional information furnished in the letter of transmittal in the introductory section of the Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Auburn exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$276.5 million (net position). Of this amount, the City had a deficit unrestricted net position of \$131.4 million offset by \$73.8 million in restricted net position and \$334.1 million in net investment in capital assets.
- The primary government experienced a 21.5% increase in net position from \$227.5 million on September 30, 2022 to \$276.5 million on September 30, 2023.
- At the close of fiscal 2023, the City's governmental funds reported a *combined* fund balance of \$157.7 million. This was a decrease of \$16.7 million (9.6%) from the prior year.
- At the end of fiscal 2023, total fund balance for the General Fund was \$95.5 million or 73.3% of total General Fund expenditures and other financing uses; total fund balance increased by \$14.1 million (17.3%) from fiscal year 2022. Total ending fund balance in the General Fund comprised 68.3% of total revenues in 2023 and 64.0% in 2022.
- Unassigned fund balance for the General Fund was \$53.4 million, or 41.0% of total General Fund expenditures and other financing uses; this was an increase of \$7.5 million (16.5%) from fiscal 2022.
- Sales and use tax, the City's single largest revenue source, increased by \$2.7 million (4.7%) during the 2023 fiscal year.
- Significant changes in revenue in the City's General Fund during 2023 include the following, in statement presentation order: general property taxes increased \$1.1 million (13.7%); state shared taxes increased \$997,063 (14.7%); contributions from the public decreased \$556,095 (59.3%); interest income increased \$1.3 million (199.9%); and miscellaneous income increased \$743,607 (608.0%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and the narrative notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the City's finances.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are fund financial statements that focus on individual elements of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety and public works were financed in the short term, as well as what remains for future spending.
 - Proprietary funds statements offer short and long-term financial information about the activities the government operates like businesses, such as the sewer and solid waste systems.
 - Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others, like athletic organizations' resources held for spending on specific sports' activities.

The financial statements also include narrative notes that explain some of the information in the financial statements and provide more details. Figure A shows how the required parts of this annual report are arranged and relate to one another.

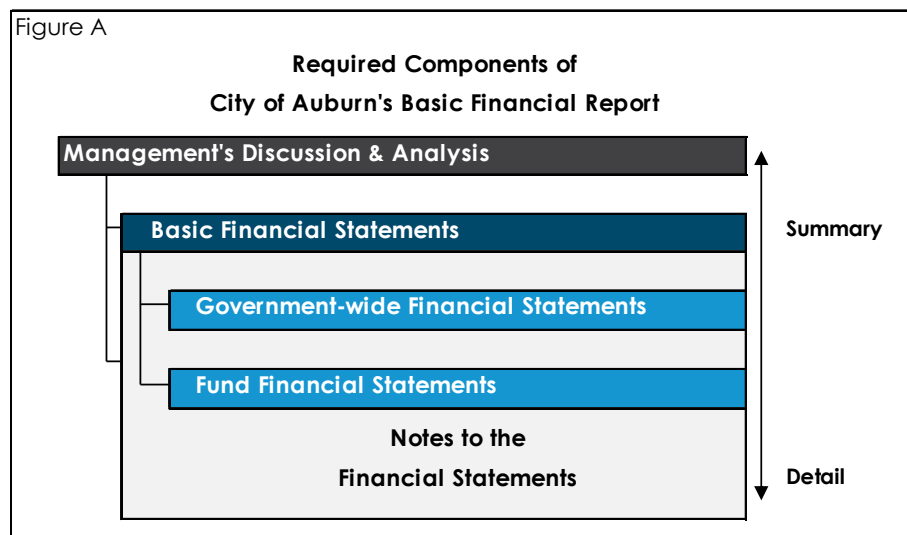


Figure B (on the following page) summarizes the major elements of the financial statements, explaining the portions of the City government included in each and the types of information contained therein. The remainder of this overview explains the structure and contents of each of the financial statements.

Government-wide Statements

The *government-wide financial statements* report information about the City as a whole, using accounting methods like those used by private-sector companies.

- The *statement of net position* includes all the government's assets and liabilities, with the difference between the two reported as net position.
- All the fiscal year's revenues and expenses are accounted for in the *statement of activities*, presenting the change in net position for the most recently completed fiscal year. All changes in net position (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

To assess the overall economic health of the City, additional non-financial factors, such as changes in the City's tax base, planning and zoning actions, and the condition of the City's roads, other infrastructure and public school system, should also be considered.

Figure B Major Elements of Auburn's Government-wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Sewer Fund and Solid Waste Management Fund	Instances in which the City is the trustee or agent for someone else's resources: Youth Athletic Funds
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balance	Statement of revenues, exp, and changes in net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis & measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets, deferred inflows, liabilities, and deferred outflows, both financial and capital, short-term and long-term	Only assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term	All assets, deferred inflows, liabilities and deferred outflows, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year and expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year regardless of when it is received or paid.	All revenues and expenses during the year regardless of when it is received or paid.

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities.* Most of the City's basic services are included in this category, such as the services provided by the Public Safety, Public Works, Parks and Recreation, and Human Resources departments. General revenues from sales and use taxes, occupational license fees, property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities.* The City charges fees to customers to help cover the costs of certain services it provides to the public. The City's Sewer Fund and Solid Waste Management Fund are included in this category as enterprise funds.
- *Discretely Presented Component Units.* The City includes six other entities in this report. These entities include the City of Auburn Board of Education (Auburn City Schools), Water Works Board of the City of Auburn, City of Auburn Industrial Development Board, City of Auburn Public Park and Recreation Board, the Commercial Development Authority of the City of Auburn, and the Auburn Downtown Redevelopment Authority. Please refer to Note 1.A. within the Notes to the Financial Statements regarding the availability of separately issued component unit financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds. Funds are groupings of related accounts that the City uses to keep track of specific revenues and spending for particular activities or objectives.

- State law requires gasoline tax funds to be accounted for separately because the expenditures are restricted for specific uses.
- The City Council establishes other funds to control the use of monies for particular purposes, such as property taxes that are legally dedicated for repayment of long-term debt for voted projects or for support of the City school system.
- The City also establishes funds to demonstrate compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and the spending of grant revenues.

The City has three kinds of funds:

- *Governmental funds.* Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out, and (2) the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental funds' statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs following the completion of a fiscal year.

Because governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Doing so provides a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental funds statements and government-wide statements on governmental activities.

- *Proprietary funds.* Services provided to the public for which customers pay a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. Proprietary funds function like a business activity; therefore, the financial statements provide additional information, such as depreciation expense and cash flows, which are not presented for governmental funds.
- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City of Auburn's own programs. These private-purpose trust funds account for the revenues and expenditures of independent associations supporting youth athletic programs.

The City adopts a biennial budget for its General Fund and most other governmental funds. For legal compliance, comparison, and reporting purposes, this budget is divided

into two separate fiscal years. A budgetary comparison statement for the General Fund has been provided immediately following the fund financial statements.

Notes to the financial statements The notes are an integral and essential part of the basic financial statements. They provide additional information that is important if the reader is to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Net position

The City's *combined* net position on September 30, 2023 totaled \$276.5 million (see Table 1). Governmental Activities' net position increased \$43.5 million (28.6%), while Business-type Activities' net position increased \$5.3 million (7.1%) during the year.

The primary government's total net position increase of \$49.0 million (21.5%) in fiscal 2023 includes the following major changes: 1) a decrease in the deficit in unrestricted net position of \$11.2 million, 2) an increase in restricted net position of \$6.5 million, and 3) an increase in net investment in capital assets of \$31.2 million.

Table 1

**City of Auburn's Net Position
September 30, 2023 and 2022**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 185,462,148	\$ 208,710,607	\$ 22,288,604	\$ 20,373,280	\$ 207,750,752	\$ 229,083,887
Capital assets	375,300,703	322,645,011	83,357,521	83,220,711	458,658,224	405,865,722
Total assets	<u>560,762,851</u>	<u>531,355,618</u>	<u>105,646,125</u>	<u>103,593,991</u>	<u>666,408,976</u>	<u>634,949,609</u>
Deferred outflows of resources	26,693,129	16,729,334	3,342,990	2,679,289	30,036,119	19,408,623
Current liabilities	42,956,632	48,272,669	5,274,468	5,093,704	48,231,100	53,366,373
Long-term debt and other liabilities	347,209,880	339,232,511	22,886,303	25,183,529	370,096,183	364,416,040
Total liabilities	<u>390,166,512</u>	<u>387,505,180</u>	<u>28,160,771</u>	<u>30,277,233</u>	<u>418,327,283</u>	<u>417,782,413</u>
Deferred inflows of resources	1,439,039	8,365,662	226,551	742,806	1,665,590	9,108,468
Net position:						
Net investment in capital assets	270,992,789	243,559,075	63,109,399	59,196,287	334,102,188	302,755,362
Restricted	69,273,170	63,914,971	4,520,734	3,419,134	73,793,904	67,334,105
Unrestricted	(144,415,530)	(155,259,936)	12,971,660	12,637,820	(131,443,870)	(142,622,116)
Total net position	<u>\$ 195,850,429</u>	<u>\$ 152,214,110</u>	<u>\$ 80,601,793</u>	<u>\$ 75,253,241</u>	<u>\$ 276,452,222</u>	<u>\$ 227,467,351</u>

Net investment in capital assets (buildings, equipment, roads, etc.) is the primary component of Governmental Activities' net position. The net investment in capital assets for governmental activities on September 30, 2023, was \$271.0 million. Debt outstanding related to capital assets owned by the City of Auburn was \$91.1 million. The large negative unrestricted net position in FY 2022 (\$155.3 million) and FY 2023 (\$144.4 million) is primarily the result of a common financing circumstance in Alabama. The City of Auburn issues debt (repaid with legally restricted ad valorem taxes) in the City's name for the benefit of Auburn City Schools (ACS), a discretely presented component unit of the City. Therefore, the City must report the debt in its financial statements. However, the City typically does not have a legal right (title) to the assets associated with the debt (which are owned by ACS); hence, the large negative unrestricted net position balances. Total

debt outstanding for school issues was \$179.4 million as of September 30, 2023. The last new debt the City issued on behalf of the Board of Education was \$17.9 million in general obligation warrants in fiscal 2021, used by ACS for the construction of Woodland Pines Elementary School and renovations at East Samford School. The City holds the debt proceeds and transfers the proceeds to the School Board as needed to pay for construction. Any unused proceeds are classified as restricted net position, further increasing the deficit in unrestricted net position.

Like the school funding situation, the City entered into an agreement with Auburn University to issue general obligation debt, enabling Auburn University to finance an expansion of the City's tennis complex. The City leases a portion of the complex to Auburn University. These lease payments fund principal and interest on the City's debt. The City's Public Park and Recreation Board, a component unit of the City, owns and operates the joint tennis facility. With respect to the Tennis Center, the debt principal of \$768,927 outstanding is included in the City's liabilities and the offsetting capital asset is included on the balance sheet of the Public Park and Recreation Board, increasing the deficit in the City's unrestricted net position.

Also contributing to the large unrestricted net position balance are liabilities related to pensions and other post-employment benefits (OPEB). The City implemented GASB Statement 68 – Accounting and Financial Reporting for Pensions in fiscal 2015. The City and its employees contribute to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participants. The net pension liability of governmental activities required to be included in the long-term liabilities section of the Statement of Net Position as of September 30, 2023, was \$60.9 million. In fiscal 2018, the City implemented GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement requires the recognition of a liability for obligations incurred under OPEB plans. The City's OPEB plan provides medical benefits to employees upon retirement based on certain eligibility requirements. The retirees pay 100% of the premium costs and specific deductibles. The City pays for all costs in excess of premiums and deductibles. The total OPEB liability of governmental activities, both short- and long-term, on the Statement of Net Position was \$4.8 million as of September 30, 2023.

Table 2 displays detail of debt issued by the City to acquire or construct capital assets owned by other entities, affecting the City's unrestricted net position. Total City debt for the benefit of Auburn City Schools outstanding on September 30, 2023, was \$179.4 million, a decrease of \$8.1 million (4.3%) from the prior year. This decrease results from principal payments made on existing debt during the year. Debt outstanding in respect to agreements made with Auburn University was \$768,927, a decrease from the prior year of \$235,587 (23.5%). This decrease is attributable to the City's principal repayments.

Governmental Activities' unrestricted net position (excluding the effects of others' outstanding debt and unused debt proceeds) increased \$2.5 million (7.5%) to \$35.8 million at the end of fiscal 2023. The primary component of this change is due to a net increase in cash and cash equivalents, certificates of deposit, and investments of \$18.3 million (14.2%). Also effecting this change is an increase of \$1.4 million (50.8%) in other current assets due to the prepayments of two fire trucks and a decrease of \$4.2 million (22.1%) in unearned revenue for funds recognized during fiscal 2023 from the Coronavirus Local Fiscal Recovery Funds, a part of the American Rescue Plan. These changes are

offset by an increase of \$21.5 million (54.7%) in net pension liability due to the difference between projected and actual earnings on plan investments.

The City's governmental activities had an overall positive net position of \$195.9 million at the end of the 2023 fiscal year, an increase of \$43.6 million (28.7%).

Table 2

<u>Governmental Activities</u>		
Net Position	<u>2023</u>	<u>2022</u>
	\$	\$
Net investment in capital assets	270,992,789	243,559,075
Restricted		
Capital Projects	6,087,410	6,687,056
Debt Service	10,816,521	9,649,649
Federal and State Grants	4,232,631	3,892,465
Special Revenue, non-grant	48,136,608	43,685,801
Unrestricted (deficit)		
Governmental Activities	35,759,962	33,260,529
City School Debt	(179,406,565)	(187,515,951)
Auburn University Debt	(768,927)	(1,004,514)
Total Net Position-Governmental	<u>195,850,429</u>	<u>152,214,110</u>

Net position of the City's business-type activities increased by \$5.3 million (7.1%) to \$80.6 million in fiscal year 2023, from \$75.3 million in fiscal year 2022. This increase is partially due to a positive change in net position from combined business-type operations revenues over expenses of \$3.0 million and nonoperating revenues over expenses of \$276,913. Activity related to capital contributions also affected net position. Capital contributions in sewer lines contributed by developers of \$2.1 million were received during the year. The restricted for capital projects category of net position increased \$1.1 million (32.2%). This increase is from access fees collected but not yet used for capital projects that increase capacity in the sewer system. This revenue will be available for qualifying projects in future years. Other activity contributing to the increase in net position was a decrease in warrants payable of \$3.6 million (14.4%) from principal payments made during the year.

The primary government's net position increased \$49.0 million (21.5%) in fiscal year 2023. Total assets increased \$31.5 million (5.0%) and deferred outflows of resources increased \$10.6 million (54.8%). The net increase in assets is attributable to several factors:

- Cash and cash equivalents increased \$11.3 million (28.6%) and investments decreased \$6.3 million (5.9%), for a net increase between the two categories of \$5.0 million (3.4%). The City took advantage of very favorable short-term interest rates to increase earnings on the City's cash balances. This included restructuring the investment portfolio by moving funds previously invested in short- and long-term U. S. Treasury securities to demand and time deposits.
- Certificates of deposit increased \$15.3 million (8,525.0%) because of the investment restructuring mentioned above.
- Restricted cash decreased \$42.9 million (78.7%). During fiscal 2023, the City continued to spend down debt proceeds from warrants issued in fiscal 2022 for the improvements to the soccer complex, construction of Will Buechner Parkway and construction of the Environmental Services and Public Works facility. The

decrease represents the declining balance in the construction cash account as project expenditures are incurred. Another component of this decrease is a decrease in construction cash held for Auburn City Schools. The City holds the proceeds from two debt issuances, 2019 general obligation bonds and 2021-A general obligation warrants, related to school improvements. As improvements are paid for, the City transfers borrowing proceeds to cover the payments.

- Capital assets, both depreciated and not being depreciated, increased by \$52.8 million (13.0%) in fiscal year 2023. The largest component of this change is an increase of \$43.7 million (45.7%) in governmental activities' buildings and improvements. This increase is mainly attributable to the capitalization of a new Environmental Services and Public Works facility and improvements to the Auburn Soccer Complex. In addition, governmental activities' infrastructure increased \$13.4 million (4.8%) because of the capitalization of various roadway and intersection improvement projects. These increases were offset by an increase in accumulated depreciation of \$10.5 million (7.7%).

Also, roads contributed by developers in fiscal 2023 totaled \$5.6 million, which is an increase of \$793,859 (16.4%) from fiscal 2022. When new subdivisions are developed, the developer is responsible for construction of necessary roads. The roads are then contributed to the City upon completion. More information on the change in capital assets is included in the *Capital Assets* section.

- Subscription based information technology arrangements is a new capital asset category. The City implemented Governmental Accounting Standards Board Statement 96, Subscription-Based Information Technology Arrangements, in fiscal 2023. This category increased assets by \$2.1 million. See note 12 to the financial statements for additional details.

The net increase in deferred outflows of resources is the result of several changes. First, deferred amount on refunding decreased \$264,228 (10.2%). Pursuant to GASB Statement 23 – *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* and GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, when the reacquisition price required to refund outstanding bonds or warrants is greater than the net carrying amount of the outstanding debt, the difference is recorded as a deferred outflow of resources in the period in which the refunding takes place. This difference is then recognized in subsequent periods through amortization as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. For fiscal 2023, these transactions resulted in a decrease in deferred amount on refunding for governmental activities of \$150,550 (11.7%) and a decrease in deferred amount on refunding for business-type activities of \$113,678 (8.6%). Also, deferred outflows related to the City's pension liability increased \$10.9 million (74.0%). This increase is caused by the difference between projected and actual earnings on plan investments. Deferred outflows related to the City's other post-employment benefits (OPEB) decreased \$32,343 (1.6%). This decrease is due to changes in actuarial assumptions including the investment return, mortality rate, and turnover, as well as the difference between expected and actual experience cost.

Total liabilities increased \$544,870 (0.1%), while deferred inflows of resources decreased \$7.4 million (81.7%). The modest increase in total liabilities is a result of several major changes. Unearned revenue decreased \$4.2 million (22.1%) primarily due to spending on

projects related to the Coronavirus Local Fiscal Recovery Funds, a part of the American Rescue Plan. The City received \$16.5 million in funding from this program in the prior two fiscal years. As these funds are spent, the related unearned revenue is reclassified to revenue. Long-term debt decreased by \$17.4 million (5.5%) due to principal repayments for both governmental and business-type activities of \$16.5 million. Net pension liability increased \$23.1 million (54.7%) based on actuary plan information provided by the Retirement Systems of Alabama. The increase is mainly due to the difference between projected and actual earnings on plan investments.

The net decrease in deferred inflows of resources is the result of decreases in both pension and OPEB related inflows. Pension related deferred inflows decreased \$7.1 million (98.8%) which is related to the difference between projected and actual earnings on plan investments. OPEB related deferred inflows of resources decreased \$319,065 (16.8%) related to changes in actuarial assumptions, including the investment return, mortality rate, and turnover, as well as the difference between expected and actual experience cost.

Governmental Activities

Table 3 presents the cost of each of the City's functions and/or programs, as well as each program's net expenses (total expenses less fees generated by the program's activities and intergovernmental support).

Table 3

Excerpt of Governmental Activities
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2023 and 2022

Governmental Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2023	2022	2023	2022	2023	2022
<i>Functions and programs</i>	\$	\$	\$	\$	\$	\$
General government	16,625,891	11,191,159	28,363,093	25,922,860	11,737,202	14,731,701
Public works	10,847,862	10,598,927	8,819,556	7,146,939	(2,028,306)	(3,451,988)
Environmental services	2,134,722	1,957,252	-	-	(2,134,722)	(1,957,252)
Public safety	32,916,753	30,354,172	7,914,476	7,852,073	(25,002,277)	(22,502,099)
Library	3,030,477	2,699,844	35,532	20,849	(2,994,945)	(2,678,995)
Parks and recreation	9,040,579	8,128,256	1,732,481	1,295,433	(7,308,098)	(6,832,823)
Development services	6,543,625	5,959,730	1,673,475	2,198,339	(4,870,150)	(3,761,391)
Social and economic development	15,441,297	8,239,594	4,717,731	1,747,174	(10,723,566)	(6,492,420)
Other functions	11,045,208	10,359,772	5,305,384	4,940,650	(5,739,824)	(5,419,122)
Education (payments to Board of Ed)	33,201,371	35,861,206	-	-	(33,201,371)	(35,861,206)
Interest on long-term debt	10,273,105	8,559,444	-	-	(10,273,105)	(8,559,444)
Total governmental activities	151,100,890	133,909,356	58,561,728	51,124,317	(92,539,162)	(82,785,039)

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

The cost of governmental activities this year was \$151.1 million. Program revenues provided \$58.6 million to finance the cost of the City's governmental activities. The amount that Auburn taxpayers paid to provide for governmental activities' expenses through general revenues (taxes, license fees, interest earnings, etc.) was \$92.5 million. This net expense is a \$9.8 million (11.8%) increase from fiscal 2022.

There are several items to note in the change in net expense of governmental activities:

- One significant change in net expense occurred in the public safety function which increased \$2.5 million (11.1%). This change resulted primarily from an increase in expenses of \$2.6 million (8.4%). The largest component of this increase

is related to salaries and benefits, which increased \$2.0 million (8.2%). This increase results from normal adjustments from the City's merit pay plan and a cost-of-living adjustment effective October 1.

- Net expense for the City's social and economic development function increased \$4.2 million (65.2%). This change is due to both an increase in expenses of \$7.2 million (87.4%) and an increase in revenues of \$3.0 million (170.0%). There are several components to the increase in expenses. First, the City made a payment of \$1.4 million to Indian Pines Recreation Authority for proceeds received from the State of Alabama and Auburn University for the sale of land related to golf course renovations at Pines Crossing. Next, the City transferred \$2.4 million in allocated funds to the Industrial Development Board for the purchase of industrial property. Last, in connection with the American Rescue Plan, the City reimbursed the local hospital \$3.3 million for unreimbursed contract staff expenses incurred during their COVID-19 response. The increase in revenue is primarily due to the American Rescue Plan funding used for this reimbursement. As qualified expenditures are made, the related unearned revenue is reclassified to revenue.
- Payments for education decreased by \$2.7 million (7.4%) from fiscal 2022. The City holds the proceeds from two debt issuances, 2019 general obligation bonds and 2021-A general obligation warrants, related to school projects and as construction progresses, funds are transferred to the school board for construction payments. The total amount transferred for school projects in fiscal 2023 was \$7.6 million as compared to \$9.9 million during fiscal 2022, a decrease of \$2.3 million (23.3%).
- Another significant change in net expense occurred in the interest on long-term debt function. The debt issuance for the 2022 capital projects fund closed in August 2022. Semi-annual payments began in February 2023 increasing governmental activities' interest on long-term debt by \$2.2 million. This addition to the City's interest obligations coupled with normal decreases in interest based on amortizations of existing debt resulted in a \$1.7 million (20.0%) increase over fiscal 2022.

Total City program revenues exceeded expenses for only one function in fiscal 2023; general government produced an excess of \$11.7 million, a decrease of \$3.0 million (20.3%) over fiscal 2022. Factors contributing to this change include an increase in expenses of \$5.4 million (48.6%) and an increase in program revenue of \$2.4 million (9.4%). The largest change in expenses is an increase in pension expense of \$4.2 million (833.8%) related to the City's net pension liability calculation. This increase is due to the difference between projected and actual earnings on plan investments. See note 13 to the financial statements for additional information about these changes. The change in program revenue is attributed to several increases and decreases in various charges for services and operating grants and contributions, which are described below.

General business license fees increased \$968,117 (11.4%). Fiscal 2023 business license fees are based on gross receipts for the previous calendar year (2022). Growth in this category is partially attributed to continued growth in Auburn's economy. Also, residential rental license fees increased \$946,046 (31.1%) due to increased enforcement efforts, as well as several complexes reaching near full or full capacity when Auburn University classes started in fall 2022.

Construction permits and construction percent are both related to building activities within the City and can vary significantly from year to year. Construction permits

decreased \$194,432 (10.6%) in fiscal 2023 from fiscal 2022. These fees are collected from contractors and property owners at rates that vary based on the type of building. Construction percent is a license fee paid by general or sub-contractors in addition to a flat business license fee. This fee is equal to ¼ of 1% of the total contract price or the total cost to the licensee, whichever is greater, of each project undertaken by the licensee. Construction percent decreased \$405,016 (22.6%) in fiscal 2023. Valuation of multi-family buildings decreased \$142.3 million (95.0%) primarily due to several large multi-family buildings that permitted during fiscal 2022.

The operating grants and contributions component of program revenue for general government increased \$995,000 (14.6%) primarily due to changes in the simplified sellers use tax (SSUT). SSUT is a state shared tax collected from eligible sellers who participate in the Simplified Sellers Use Program administered by Alabama Department of Revenue (ADOR). This program allows eligible sellers to collect, report and remit use tax in lieu of the sales or use taxes otherwise due by or on behalf of customers in Alabama who make purchases online and have them delivered into cities and counties in Alabama. This tax is collected by ADOR and distributed to each county and municipality based on population. This tax began in fiscal 2018 and continues to grow as more sellers participate in the program, increasing by \$947,239 (21.0%) in fiscal 2023 over collections in fiscal 2022. Starting in January 2022, the City's population was updated per the 2020 census, increasing the City's share of SSUT.

The *Net (Expense) Revenue* amounts in table 4 show the financial burden placed on the City's general revenues by each of these functions.

Table 4

Excerpt of Governmental Activities		
<i>from the</i>		
Statement of Activities		
Governmental Activities	Net (Expense) Revenue	
	2023	2022
	\$	\$
Net expense of the total governmental activities	(92,539,162)	(82,676,456)
General revenues:		
Sales taxes	61,290,146	58,557,684
Property taxes	43,524,645	37,613,310
Occupational license fees	17,779,298	16,386,691
Rental and leasing taxes	869,750	975,941
Lodging taxes	4,211,007	3,692,170
Motor fuel taxes	501,142	470,303
Other taxes	414,916	396,022
Interest and investment earnings	4,872,963	1,384,642
Net inc (dec) in fair value of investments	457,598	(4,433,263)
Gain/(loss) disposal of assets	1,331,972	(44,695)
Miscellaneous	865,915	122,307
<i>Total general revenues</i>	<u>136,119,352</u>	<u>115,121,112</u>
<i>Excess before transfers</i>	43,580,190	32,444,656
Transfers	56,129	12,971
<i>Change in net position</i>	<u>43,636,319</u>	<u>32,457,627</u>
Beginning net position	152,322,693	120,069,053
Prior period adjustment	(108,583)	(203,987)
Ending net position	<u>195,850,429</u>	<u>152,322,693</u>

Table 5 divides total governmental program revenue by source for 2023 and 2022 into three components: charges for services, operating grants and contributions, and capital grants and contributions. These totals and the narrative following the table provide insight into the changes in program revenue.

Table 5	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Program revenue by source:	\$	\$
Charges for services	34,567,427	32,639,230
Operating grants and contributions	13,714,349	10,173,618
Capital grants and contributions	10,279,952	8,311,469
<i>Program revenue - governmental activities</i>	<u>58,561,728</u>	<u>51,124,317</u>

Some of the program costs of governmental activities in 2023 were paid by revenues collected from those who directly benefit from the programs (\$34.6 million). These revenue sources include the following:

- General business license fees of \$9.5 million that support general government services.
- Residential rental license fees of \$4.0 million that fund a portion of general government services. The City charges this fee to owners of residential property used primarily for rental purposes.
- Municipal court-related fines and fees of \$938,317 that support essential public safety and judicial services within the City.
- Construction permit fees of \$1.6 million that fund construction and building inspections to meet Auburn's building requirement standards and provide other general government services.
- Public safety fees of \$5.5 million paid by Auburn University to fund fire and police services on campus.

Operating and capital grants and contributions of \$24.0 million also supported program costs during fiscal 2023. These revenues were up \$5.5 million (29.8%) from fiscal year 2022. Details of this change are described below.

- As described earlier, the simplified sellers use tax is a state shared tax collected from eligible sellers who participate in the Simplified Sellers Use Program administered by the Alabama Department of Revenue (ADOR). All state shared taxes are included in operating grants and contributions in the government-wide financial statements. This tax began in fiscal 2018 and continues to grow as more sellers participate, increasing \$947,239 (21.0%) in fiscal 2023 over collections in fiscal 2022.
- Grant funding is included in program revenue, classified as either operating or capital. During fiscal 2023, the City recognized \$4.6 million in American Rescue Plan funding to support the response to and recovery from the COVID-19 public health emergency. Projects included the installation of new ventilation systems in two public gymnasiums and the replacement of an old water main. In addition, the City also reimbursed the local hospital for unreimbursed contract staff expenses incurred during their COVID-19 response.
- Gifts and donations, including donation of assets, are included in operating and capital grants. This includes streets contributed by developers as part of subdivision

developments and easements donated to the City. Both street and easement donations can vary greatly from year to year based on subdivision development and construction activity. Streets and easements contributed during fiscal 2023 totaled \$6.8 million, which is an increase of \$1.5 million (27.7%) over similar donations in fiscal 2022.

The City financed net expenses of \$92.5 million for governmental activities from taxes, license fees and other general revenues. General revenues include all revenue sources not reported as program revenues. All taxes, even those levied for a specific purpose, are general revenues. All other non-tax revenues (including license fees, interest, gains and losses, and contributions) that do not meet the criteria for program revenues are also general revenues.

- The largest of the City's general revenues is sales and use tax, comprising 45.0% of total general revenues. The sales tax rate for purchases made in the City of Auburn is 9%, which includes 4% for the State, 4% for the City, and 1% for Lee County.
- The second largest source of general revenues is property taxes (32.0%). Of the total 26 mills the City receives in property taxes, 16 mills are legally dedicated to Auburn City Schools.
- The third largest general revenue source is occupational license fees (13.1%). This fee is levied at 1% of gross wages earned within the City limits.

Business-type Activities

The City has two business-type activities. The largest is its sewer system, which includes two, active discharge permitted wastewater treatment plants operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. In 2013, the City decided to shut down the treatment portion of the Northside Water Pollution Control Facility (Northside Facility), and made improvements to the south side facility, the H. C. Morgan Water Pollution Control Facility, that allows this plant to handle treatment of sewage for the entire city. Flow historically treated by the Northside Facility diverts to the facility in the south. The Northside Facility continues to act as a pumping station for this diverted flow. The City continues to evaluate the need for future treatment capacity, and if necessary, the Northside Facility will reopen.

The City constantly monitors the need for sewer rate changes by studying and evaluating whether existing rates will meet the projected operating and capital needs of the sewer system in the future. The last formal rate study and analysis, conducted in November 2013, resulted in confirmation that the fund's current rates were adequate to meet revenue requirements through the end of fiscal 2019. Although this study only provided revenue requirements through fiscal 2019, City staff regularly evaluates rates internally to determine revenue sufficiency for the capital and operating needs of the sewer function. The next formal rate study is expected to occur in fiscal 2025.

Table 6 presents the cost of each business-type activity function and/or program, as well as each program's net expenses (total expenses less fees generated by the program's activities).

Table 6

Excerpt of Business Type Activities (Condensed)
from the
City of Auburn Statement of Activities for the Fiscal Years ended September 30, 2023 and 2022

Business-Type Activities	Expenses		Program Revenues*		Net (Expense) Revenue	
	2023	2022	2023	2022	2023	2022
Functions and programs	\$	\$	\$	\$	\$	\$
Sewer Fund	10,002,573	9,426,516	15,408,059	15,892,444	5,405,486	6,465,928
Solid Waste Management Fund	6,380,518	5,568,394	5,708,206	5,464,108	(672,312)	(104,286)
Total business-type activities	<u>16,383,091</u>	<u>14,994,910</u>	<u>21,116,265</u>	<u>21,356,552</u>	<u>4,733,174</u>	<u>6,361,642</u>

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

	Business-Type Activities	
	2023	2022
	\$	\$
Expenses of total business-type activities	<u>(16,383,091)</u>	<u>(14,994,910)</u>
Program revenues by source:		
Charges for services	19,000,225	19,333,272
Operating grants and contributions	29,080	-
Capital grants and contributions	2,086,960	2,023,280
<i>Total program revenues</i>	<u>21,116,265</u>	<u>21,356,552</u>
General revenues:		
Interest and investment earnings	371,164	88,222
Net inc (dec) in fair value of investments	245,593	(649,799)
Gain on disposal of assets	50,767	9,041
Miscellaneous	3,983	26,141
<i>Total general revenues</i>	<u>671,507</u>	<u>(526,395)</u>
<i>Excess before transfers</i>	<u>5,404,681</u>	<u>5,835,247</u>
Transfers	(56,129)	(12,971)
<i>Change in net position</i>	<u>5,348,552</u>	<u>5,822,276</u>
Beginning net position	75,253,241	69,430,965
Ending net position	<u>80,601,793</u>	<u>75,253,241</u>

Program revenue of the Sewer Fund business-type activity, including charges for services (sewer treatment and disposal), operating grants and contributions, and capital grants and contributions decreased from the prior year by \$484,385 (3.0%). There are several components to this change. Sewer access fees decreased by \$1.2 million (51.4%). Sewer access fees are fees charged to customers for new access to the sewer system. Also contributing to the change in sewer program revenue is a slight increase of \$63,680 (3.1%) in sewer lines contributed by developers. Lines contributed during fiscal 2023 totaled \$2.1 million, as compared to \$2.0 million in fiscal 2022. Both access fees and lines contributed are driven by development and can vary greatly from year to year. Sewer service fee revenue increased \$505,864 (4.4%). This increase reflects the impact of experiencing only a slightly wetter peak growing season (May through September) during fiscal 2023. Sewer service fees are calculated based on water usage. Rainfall greatly affects water usage, which in turn, affects sewer usage. Recorded rainfall during the peak growing season for 2022 was approximately 3.89 inches below normal while rainfall during the peak growing season for fiscal 2023 was approximately 1.69 inches above normal. Continued growth also contributed to this increase by adding 395 new single-family customers and 19 new commercial/multi-family customers.

Sewer Fund expenses (operating plus interest expense) increased \$576,057 (6.1%) to \$10.0 million. The major components of this change include the following:

- Employee benefits increased \$174,366 (43.6%) primarily due to the increase of \$134,041 (826.0%) in pension expense. This change is related to the differences between actual and projected earnings on plan investments.
- Utilities increased \$139,857 (18.8%) due to rate increases implemented by power providers.
- Management fees increased \$351,750 (18.0%). As mentioned in the *Business-type Activities* section, management fees are paid to Veolia Water North America Operating Services, LLC for the operation, management and maintenance of the City's publicly owned wastewater treatment facilities. This fee is based on a percentage of the cost of operations which was higher due to increased salaries and increased hauling fees for biosolids.
- Interest and fiscal charges decreased \$220,786 (34.4%) due to normal changes in debt amortization over time.

The City's only other business-type activity, solid waste management, receives revenue from garbage charges to customers, special trash pick-up fees, and sales of recyclables. Revenues and expenses related to this function are accounted for in the Solid Waste Management Fund (SWMF). Expenses include salaries and benefits of solid waste and recycling employees, landfill tipping fees, fuel, vehicle parts and other supplies, management fees and depreciation expense on the capital assets used in the solid waste and recycling functions.

As Table 6 shows, expenses exceeded revenues by \$672,312 in fiscal 2023. Due to higher than usual increases in salaries and benefits, as discussed below, this fund experienced a loss for fiscal 2023. Like the sewer function, user fees are expected to cover the cost of providing solid waste and recycling services. The City reviews and analyzes these fees regularly to ensure they continue to cover these costs. The current rate for curbside garbage service is \$23.50 with residents who receive backdoor service currently paying \$10.00 per month more. As projected operating and capital needs of the solid waste function change, the need for further analysis of these rates becomes necessary. During fiscal 2023, the City worked with a consultant to develop a solid waste rate study for the City's solid waste and recycling program. Although no specific action has been taken to adjust rates based on this study, the study provides the City with a management tool to anticipate future needs, including both operating and capital costs for the solid waste and recycling function. This model also provides a means to anticipate the significance of capital expenditures on overall system financial health.

Also shown in Table 6, program revenue of the SWMF business-type activity, including charges for services (garbage and recycling collection), operating contributions and grants, and capital contributions and grants, increased from the prior year by \$244,098 (4.5%). Charges for services, which includes garbage collection fees and revenue from the sale of recyclables, increased by \$244,098 (4.5%). Collection fees increased \$256,934 (4.8%) from customer growth. Revenue from the sale of recyclables decreased \$20,784 (56.9%) due to a decrease in the recycling market value of cardboard and glass.

Expenses of the SWMF increased \$812,124 (14.6%). The largest component of this change is related to an increase of \$642,520 (23.5%) in salaries and employee benefits. In fiscal 2023, multiple vacant positions were filled as well as the addition of three new positions,

two Recycling Collectors and a Solid Waste Enforcement Officer. Also, pension expense increased \$118,303 (514.3%) due to the difference between actual and projected earnings on plan investments. The remainder of the change in expenses is the result of typical fluctuations, both up and down, in other operating expenses, such as utilities, supplies, and minor tools and equipment. These changes are normal for operations of solid waste and recycling activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

As the City completed the 2023 fiscal year, its governmental funds reported a *combined* fund balance of \$157.7 million, a \$16.7 million (9.6%) decrease from the prior year. The total decrease in fund balance is comprised of a \$14.1 million (17.3%) increase in the General Fund's fund balance; a \$4.9 million (10.5%) increase in special revenue funds' fund balances; a \$1.2 million (12.1%) increase in the debt service fund's fund balance; and a \$36.8 million (99.2%) decrease in capital projects funds' fund balances. The following narrative discusses the financial activities that comprise the major changes in governmental fund balances.

Governmental revenues and other financing sources

Total revenues of the governmental funds increased \$26.0 million (16.2%) over the prior year. Major components of this change are described below, in statement presentation order.

- Sales and use tax, the City's single largest revenue source, represents 32.8% of governmental funds' revenue in fiscal 2023. This major revenue source increased by \$2.7 million (4.7%) over fiscal 2022. While the City continued to experience record sales tax collections through fiscal 2023, the increase over the prior year is more consistent with average increases prior to the COVID-19 pandemic. This increase reflects continued steady growth in Auburn's economy, as well as the addition of several new commercial businesses.
- Occupational license fees increased \$1.4 million (8.5%). This is the fourth largest revenue source (9.5%) of governmental funds' revenue. This change is attributable to the increase in remittances from the top 20 occupational licensees along with remittances from over 160 additional remote workers. Several new businesses, including one that employs over 500 people, also contribute to this increase.
- Licenses and permits increased \$1.5 million (8.6%) due to several factors. General business license fees increased \$968,117 (11.4%) in fiscal 2023. Business license fees are based on gross receipts for the previous calendar year. As a business's gross receipts increase, the revenue received by the City increases. As with sales and use taxes, growth in business license fees can be partially attributed to growth in Auburn's economy. Residential rental license fees increased \$946,046 (31.1%) due to increased enforcement efforts as well as several apartment complexes reaching near full or full capacity when Auburn University classes started in fall 2022. Residential rental is a license fee levied against the owner of residential property, of which the primary purpose is for rental or leasing and the property is not owner-occupied. These increases are offset by a decrease of \$405,016 (22.6%) in construction permit due to several large projects that were permitted in fiscal 2022. This is an additional fee levied against any general or sub-contractor conducting business in the City.

- General property tax revenues increased by \$5.9 million (15.7%). This revenue source is the second largest source (23.3%) of governmental funds' revenue. Property taxes continue to show steady growth in Auburn. This increase comes in the form of new property developed within the City as well as increases in assessed values on existing property. Auburn has seen growth in single-family, multi-family and student housing developments. This growth is also due to Auburn's ability to remain an attractive city and the overall health of the real estate market in the Auburn area with its low foreclosure rate and low housing turnover.
- State shared taxes increased \$1.0 million (13.3%). The primary component of this change is an increase in the simplified sellers use tax (SSUT). As more remote sellers participate in the SSUT program, the City's allocation from the State increases. In fiscal 2023, the City received \$5.5 million, an increase of \$947,239 (21.0%) from this revenue source. This demonstrates a continued growth in online sales, as well as growth based on the City's change in population which was updated based on the 2020 census.
- Grant revenue increased \$4.2 million (130.5%). As mentioned in the *Governmental Activities* section, the City recognized \$4.6 million in American Rescue Plan funding to support the response to and recovery from the COVID-19 public health emergency. The City reimbursed the local hospital for unreimbursed contract staff expenses incurred during their COVID-19 response. In addition, funds were also used to install new ventilation systems in two public gymnasiums and the replacement of an old water main.
- Interest and investment earnings increased \$8.4 million (274.9%) in fiscal 2023. This change consisted of two components, interest income and net increase (decrease) in the value of investments. Interest increased \$3.5 million (251.9%) and is directly related to increases in interest rates earned on cash and investment balances. The City primarily invests in interest-bearing demand and time deposits as well as U.S. Treasury and federal agency securities. Net increase (decrease) in the fair value of investments increased \$4.9 million (110.3%) in fiscal 2023. The City's investments experienced a decline in market value during fiscal 2022 because of extraordinary market conditions led by the Federal Reserve's aggressive interest rate policies. However, this loss of market value is unrealized, also known as a "paper" loss, and will not be realized because of the City's policy of purchasing investments and holding them until maturity. It is the policy of the City to invest with three primary objectives, in priority order: safety, liquidity and return on investment. In accordance with this policy, the City's fixed income investments consists of a ladder portfolio of direct obligations of the Department of the Treasury of the United States (U.S. Treasuries) and obligations of certain federal agencies as allowed by state law.

Other financing sources, excluding transfers between governmental funds, decreased by \$63.4 million (94.6%) in fiscal 2023 as compared to fiscal 2022. In August 2022, the City issued \$48.9 million in general obligation warrants. The proceeds from the warrants are being used for the improvements to the City's soccer complex, construction of Will Buechner Parkway and construction of the Environmental Services and Public Works facility. Also, in fiscal 2022, the City issued \$11.2 million in general obligation warrants to refund the 2012-B general obligation school warrants. More information on debt issuances and/or refunding can be found in the *Long-term Debt* section of this MD&A.

Governmental expenditures and other financing uses

Total governmental expenditures increased by \$33.8 million (19.5%) in fiscal 2023 over fiscal 2022. There are several components of this change, and the most notable of these components are described below, in statement presentation order.

- Departmental expenditures increased \$4.9 million (6.9%). The most significant changes were seen in public safety (increase of \$2.2 million or 7.9%), parks and recreation (increase of \$861,677 or 13.1%), development services (increase of \$595,677 or 10.7%), and human resources (increase of \$722,974 or 7.6%). Details of these changes are listed below.
 - Public safety increased \$2.2 million (7.9%) in fiscal 2023 as compared to fiscal 2022. The largest component of this increase is related to salaries and benefits, which increased \$2.1 million (8.6%). Part of this increase is attributable to normal adjustments from the City's merit pay plan and a cost-of-living adjustment effective October 1. Also, the fire department transitioned eighteen student firefighters to full-time (career) firefighters.
 - Parks and recreation activities increased \$861,677 (13.1%). Salaries and benefits are the largest component of this increase (\$362,175 or 8.5%). Part of this increase is attributable to normal adjustments from the City's merit pay plan and a cost-of-living adjustment effective October 1. Also, seven maintenance worker positions were transitioned from temporary to full-time status. With COVID restrictions ending in fiscal 2022, parks and recreation programming experienced higher than normal registration numbers for fiscal 2023, resulting in increased expenditures for items such as utilities and recreation supplies. New furniture and equipment were also purchased for the soccer complex and other renovated buildings.
 - Development services increased \$595,677 (10.7%). There are several factors contributing to this increase. In fiscal 2023, the engineering services department added two new positions, Civil Manager for Development and an Inspector, and the planning department added a new Planner position. The planning department conducted updates to the City's planned unit development regulatory process and the inspection services department purchased new furniture and security cameras. Also, the engineering services department had two large vehicle repairs along with increased traffic signal material purchases due to supply chain issues in fiscal 2022.
 - Human resources increased \$722,974 (7.6%) due to rising health care costs and increased health insurance claims associated with the City's self-insured employee health benefits program.
- Table 7 provides more detail about payments to component units; additional information follows the table.

Table 7

Governmental Funds - Expenditures Comparison

<u>Paid to component units:</u>	<u>2023</u>	<u>2022</u>	<u>FY 23 > FY 22</u>
Auburn City Schools	\$	\$	\$
General revenues	18,263,333	18,619,284	(355,951)
Education property taxes	7,347,821	7,347,821	-
Debt issuance - Schools	7,590,216	9,894,101	(2,303,885)
Subtotal to Schools	33,201,370	35,861,206	(2,659,836)
Industrial Development Board			
Operating costs	1,075,000	1,100,000	(25,000)
Property acquisition	2,419,499	-	2,419,499
Subtotal to IDB	3,494,499	1,100,000	2,394,499
Public Park & Recreation Board	518,283	323,645	194,638
Total - Component Units	37,214,152	37,284,851	(70,699)

- Payments to Auburn City Schools decreased by \$2.7 million (7.4%) in fiscal 2023 as compared to 2022. Details of this change are included below.
 - The City appropriated \$18.3 million (a decrease of \$355,950 or 1.9%) from its general revenue to Auburn City Schools in fiscal year 2023. The City has committed to providing 1.25 of its 4 pennies of sales tax to the Schools. This commitment includes a floor of \$11.5 million, meaning that when 1.25 pennies of total sales tax collected is less than \$11.5 million, the City will not lower the amount appropriated to the Schools. The decrease in appropriations for fiscal 2023 is related to the lower annual true-up payment. The true-up varies from year to year because the appropriation is based on projected sales and use taxes.
 - In addition to the City's General Fund providing support to the schools, the School Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for principal and interest on school debt issued by the City of Auburn on behalf of Auburn City Schools and provides additional funds for operating expenses of the school system. There was no change in payment from fiscal 2022 to fiscal 2023.
 - As described previously, the City transferred debt proceeds to the schools during 2023 for the construction of Woodland Pines Elementary School and improvements to East Samford School. The City holds these proceeds, and as construction progresses, funds are transferred to the school board to pay contractors. The total amount transferred for school projects in fiscal 2023 was \$7.6 million, a decrease of \$2.3 million (23.3%) from fiscal 2022.
- The City appropriates funds to the Industrial Development Board (IDB) for economic development initiatives. This funding increased \$2.4 million (217.7%) in fiscal 2023 as compared to 2022. Details of this change are included below.
 - Payments for the operating costs of the IDB decreased \$25,000 (2.3%) during fiscal 2023. The City Council continues to promote aggressive economic development as a long-term goal in providing jobs and expanding the City's revenue base. Payments to the IDB for general

operations, workforce development, commercial development, entrepreneurial and technology programs, and industrial development help with this continuing economic development focus. This slight decrease is due to an additional \$75,000 transferred to the IDB in fiscal 2022 for the creation of a Community Development Financial Institution in Auburn.

- In addition to operating transfers to the IDB, the City transferred \$2.4 million to the IDB to purchase property suitable for industrial development to remain competitive in recruiting projects that fit the diversified industrial base of the City.
- The Public Park and Recreation Board (PPRB) was established in 1990, primarily to advise the Council concerning proposed recreation projects and to acquire such recreation facilities as deemed to be in the public interest. In 2006, the City, Auburn University, and the PPRB partnered to construct and manage a state-of-the-art tennis facility for student and community use. This collaboration resulted in complex transactions concerning both the borrowing and subsequent transfers among the PPRB, the City, and Auburn University to properly account for the development, supervision, and daily operation of the facility. The PPRB continues to receive amounts from the General Fund for the operation of the Yarbrough Tennis Center. In 2023, the transfer increased by \$194,638 (60.1%) to \$518,283. With COVID restrictions ending in fiscal 2022, the tennis center has experienced an increase in tennis clinics and tournaments, resulting in increased expenditures for salaries and wages. Also, the hard courts were resurfaced, and new lighting was installed in fiscal 2023.

Proprietary Funds

The City of Auburn has two proprietary funds that account for its business-type activities. The Sewer Fund, an enterprise fund, accounts for sewer collection, treatment and disposal services provided to residents and businesses within the City limits. The Solid Waste Management Fund, also an enterprise fund, accounts for services to collect and dispose of solid waste and recycling materials provided to the same customers. Net position of these proprietary funds combined increased by \$5.3 million (7.1%) from fiscal 2022 to fiscal 2023.

Proprietary funds' revenues, other resources

Sewer Fund operating revenues decreased by \$590,056 (4.2%) in 2023 as compared to 2022. This change in operating revenue is primarily the result of an increase in sewer service fees coupled with a decrease in sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees increased \$505,864 (4.4%), which is attributable to drier weather conditions during fiscal 2023. Sewer access fees decreased \$1.2 million (51.4%). Sewer access fees are charged to customers for new access to the sewer system. These fees can vary greatly from year to year depending on the level of development. In addition to changes in operating revenue, the Sewer Fund's net position increased \$2.1 million from developers' contributions of sewer lines in fiscal 2023, which is a \$63,680 (3.1%) increase from contributions in 2022. Sewer line contributions are contingent upon completion of commercial and residential developments in the City and like access fees, can vary significantly from year to year.

Operating revenues in the Solid Waste Management Fund increased by \$234,851 (4.3%) in 2023. This change is primarily attributable to an increase in solid waste collection fees

of \$256,934 (4.8%) which reflects growth in the number of customers. The number of residential customers increased by 382 (2.1%) over fiscal 2022.

Proprietary funds' expenses

In the Sewer Fund, operating expenses for fiscal 2023 increased \$796,843 (9.1%). Components of this increase are listed below, in statement presentation order.

- Employee benefits increased \$174,366 (43.6%) primarily due to the increase of \$134,041 (826.0%) in pension expense. This change is related to the differences between actual and projected earnings on plan investments.
- Utilities increased \$139,857 (18.8%) due to rate increases implemented by power providers.
- Management fees increased \$351,750 (16.2%) to \$2.5 million. As mentioned in the *Business-type Activities* section, management fees are paid to Veolia North America Operating Services, LLC for the operation, management and maintenance of the City's publicly owned wastewater treatment facilities. The management fee is based on a percentage of the cost of operations which was higher because of increased salaries and increased hauling charges for biosolids.

In the Solid Waste Management Fund, operating expenses increased \$812,122 (14.6%) in fiscal 2023 over 2022. There are two main components of this increase:

- Salaries and employee benefits increased \$642,520 (23.5%) to \$3.4 million. There are two components of this increase. First, regular full-time salaries increased \$413,914 (24.9%) due to multiple vacant positions being filled, the addition of three new positions, and the normal adjustments from the City's merit pay plan and a cost-of-living adjustment effective October 1. Second, pension expense increased \$118,303 (514.3%) due to the differences between actual and projected earnings on plan investments.
- Repairs, maintenance, and parts increased \$84,688 (17.0%). Vehicle and equipment repairs can fluctuate from year to year based on the age of assets and replacement schedules. In addition, inflation factors have resulted in increases in prices for parts and supplies.

For more information related to the above funds, see the Business-type Activities section of this Management's Discussion and Analysis.

Analysis of Changes in Major Funds

Major funds are those whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The General Fund is a major fund every year. In addition to the General Fund, the Special School Tax Fund (a special revenue fund), the Coronavirus Local Fiscal Recovery Fund (a special revenue fund), the 2022 Capital Projects Fund and the 2023 Capital Projects Fund were determined by testing to be the other major governmental funds in 2023. Both the Sewer Fund and the Solid Waste Management Fund are major funds in the business-type activities.

The General Fund (Governmental)

At the end of fiscal 2023, total fund balance of the City's General Fund increased by \$14.1 million (17.3%) from the prior year ending balance. Fund balance reflects the

cumulative excess of revenues and other financing sources over expenditures and other financing uses. The 2023 total ending fund balance was \$95.5 million, compared to \$81.4 million at the end of 2022.

In accordance with GASB Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance categories include the following: nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance increased by \$1.3 million (19.0%) from 2022. These balances represent inventories, prepaid items, advances, and land held for resale. The City prepaid for two fire trucks which increased nonspendable fund balance for fiscal 2023. The restricted, committed and assigned categories increased by \$5.3 million (18.6%). This change is mainly due to a net increase in assigned fund balance of \$5.3 million (19.7%). Assigned fund balance for encumbrances increased \$8.5 million (148.3%) primarily due to larger encumbrances at year-end for various capital projects. Also, in accordance with GASB Statement 54 – *Fund Balance Classifications*, the amount budgeted for fund balance drawdown for the next fiscal year (2024) must be set aside as assigned fund balance. The budgeted spenddown for fiscal 2024 is \$17.2 million, which is \$3.3 million (16.0%) less than the budgeted spend down for the previous year.

The General Fund's total assets increased \$3.4 million (3.3%) during 2023. The major components of this change are listed below, in statement presentation order.

- Cash and cash equivalents decreased by \$8.5 million (36.6%). The City took advantage of very favorable interest rates to increase earnings on the City's cash balances. This included restructuring the investment portfolio, moving funds previously invested in short- and long-term U. S. Treasury securities to demand and time deposits. This change decreased the City's cash balances by \$2.3 million. Also, operating cash decreased by \$6.7 million which is primarily attributable to the general fund temporarily covering the construction costs for the 2023 capital projects fund.
- Certificates of deposit increased by \$9.7 million (5,418.3%) because of the investment restructuring mentioned above.
- Due from other funds increased \$4.4 million (476.5%) primarily due to the increase in amounts due from the 2023 capital projects fund. In May 2023, this fund started paying invoices to contractors for work completed on the Lake Wilmore Community Center project. Due to the delayed debt issuance for this fund, the General Fund covered the construction costs. A reimbursement resolution is in place, and the General Fund will be reimbursed once the debt issuance occurs.
- Prepays increased \$1.3 (51.9%) in fiscal 2023. As mentioned above, two fire trucks for the fire department were prepaid. A new pumper truck will replace a 2006 pumper truck and the tiller truck will replace a 2002 ladder truck.

Total liabilities of the General Fund increased \$1.6 million (19.8%) in 2023. This is a result of typical fluctuations in accounts payable and other accrued liabilities, as well as increases to unearned revenue including developer agreements and performance bonds that are reclassified to revenue during the year.

Special School Tax Fund (Governmental)

The Special School Tax Fund, a special revenue fund, accounts for sixteen mills of education ad valorem tax revenue used to pay principal and interest on City bonds and warrants issued for Auburn City Schools. In addition to debt service payments, this fund

provides additional funding for school operations. The school system drew \$7.3 million from this fund for operations in 2023. This is the same amount that was drawn in fiscal 2022. This amount can vary from year to year depending on property tax revenue collections, fund balance levels of this fund, and needs of the school system. The City also transferred \$7.6 million of borrowing proceeds to the school system for expenditures related to construction of Woodland Pines Elementary School and improvements at Cary Woods Elementary School, J. F. Drake Middle School, and East Samford School. The City holds the proceeds from two debt issuances, 2019 general obligation bonds and 2021-A general obligation warrants related to these improvements until Auburn City Schools requests a draw to pay construction invoices. The City then transfers borrowing proceeds necessary to cover those cash outlays.

Revenues increased \$6.8 million (31.2%) in this fund. There are two primary reasons for this large increase over 2022. First, property tax increased \$3.8 million (16.6%). This increase is the result of new property developed within the City, as well as increases in assessed values on existing property. Second, this fund experienced a net increase in the fair value of investments of \$317,765 in fiscal 2023 as compared to a net decrease in the fair value of investments of \$1.7 million in fiscal 2022. The City's investments experienced a decline in market value during fiscal 2022 because of extraordinary market conditions led by the Federal Reserve's aggressive interest rate policies.

Expenditures, including the transfers mentioned above and debt service on borrowings, decreased \$2.4 million (9.1%). Debt related other financing sources and uses decreased \$83,671 (100.0%). There were no debt issuances or refundings in fiscal 2023.

Coronavirus Local Fiscal Recovery Fund (Governmental)

The Coronavirus Local Fiscal Recovery Fund is a special revenue fund which accounts for American Rescue Plan funding received from the federal government to support the City's response to and recovery from the COVID-19 public health emergency. The City received \$16.5 million in funding from this program between fiscal 2021 and fiscal 2022. In fiscal 2023, the City spent \$1.3 million on projects that will improve public health. New ventilation systems were installed in two public gymnasiums to improve air quality and an old water main was replaced to increase water flow/capacity and service reliability. The City also reimbursed the local hospital \$3.3 million for unreimbursed contract staff expenses incurred during their COVID-19 response. Revenues increased \$5.1 million (6,484.8%). This increase is related to the recognition of \$4.6 million in grant revenue and an increase in interest earned on cash balances. Total fund balance of this fund was \$602,710 at the end of the year and is restricted for social and economic development.

2022 Capital Projects Fund (Governmental)

The 2022 Capital Projects Fund is a capital projects fund that accounts for the spending of bond proceeds for the improvements to the soccer complex, construction of Will Buechner Parkway and construction of the Environmental Services and Public Works facility. The City issued \$48.9 million in general obligation warrants in August 2022 to fund the construction of these projects. During fiscal 2023, spending on the projects totaled \$31.8 million. The total fund balance of this fund was \$5.8 million at the end of the year, and it is restricted for capital projects. All projects were completed in fiscal 2024.

2023 Capital Projects Fund (Governmental)

The 2023 Capital Projects Fund is a new capital projects fund that accounts for the spending of bond proceeds for construction of the Lake Wilmore Community Center. The

City plans to issue approximately \$26.0 million in general obligation warrants in fiscal 2024 to fund the project. A reimbursement resolution was signed in fiscal 2023 that will allow for reimbursement of certain expenditures made prior to the date of the tax-exempt financing. This allows time to determine the final project costs and only borrow what is necessary and appropriate for this project. In the meantime, the General Fund is covering the expenditures. During fiscal 2023, expenditures totaled \$5.8 million. There is an offsetting liability of the same amount that is due to the General Fund. Total fund balance of this fund was negative \$5.8 million at the end of the year. Encumbrances for the Lake Wilmore project totaled \$14.9 million at year-end. This results in a restricted (for capital projects) fund balance of \$14.9 million. Based on this encumbrance balance and the amount owed to the General Fund for expenditures to date, unassigned fund balance totals negative \$20.7 million. The building is expected to be completed late summer of 2024.

Sewer Fund (Business-type activity)

The Sewer Fund accounts for the provision of sewer services to the City's residents and businesses. In addition, the Sewer Fund accounts for the capital expansion and maintenance of the City's sewer collection, treatment and disposal facilities. While the City owns the sewer collection, treatment and disposal facilities, they are operated by Veolia Water North America Operating Services, LLC, a Chicago, Illinois based engineering and contract services firm. Veolia also maintains the City's sewer lift stations.

The Sewer Fund's net position increased \$6.0 million (8.2%) in fiscal year 2023. The largest change in the components of net position is an increase of \$3.6 million (6.3%) in net investment in capital assets. This net position category includes asset acquisitions as well as outstanding debt related to the assets. Also, net position restricted for capital projects increased \$1.1 million (32.2%). Access fees collected by customers for connecting to the City's sewer system are reserved for spending on projects that expand the sewer system. Total access fees available on September 30, 2023, was \$4.5 million.

Assets of the Sewer Fund increased \$2.5 million (2.5%). Cash and cash equivalents increased \$4.1 million (180.3%) and certificates of deposit increased by \$1.0 million (100.0%), while investments decreased by \$2.5 million (19.8%). These changes are primarily due to the City taking advantage of very favorable interest rates to increase earnings on cash balances. This included restructuring the investment portfolio, moving funds previously invested in short- and long-term U.S. Treasury securities to demand and time deposits. The total change in cash, certificates of deposit and investments is an increase of \$2.6 million (17.8%) which is primarily attributable to the fund's operating income of \$3.7 million.

Sewer Fund liabilities decreased \$3.0 million (10.9%), primarily the result of principal payments on the fund's warrant payables based on debt amortization schedules. Warrants payable decreased \$3.6 million (14.4%) in fiscal 2023 as compared to 2022. As of September 30, 2023, the Sewer Fund has \$21.1 million in outstanding warrants. These warrants include debt issued to fund capital improvements to the sewer system as well as refundings issued to take advantage of favorable interest rates. The current portion of warrants payable due in 2024 is \$3.7 million.

Operating revenues of the Sewer Fund decreased \$590,056 (4.2%%). As discussed in the *Proprietary Funds* section, this change in operating revenue is composed primarily of an increase in sewer service fees and a decrease in sewer access fees. Sewer service fees are user fees charged to customers based on their water usage. Sewer service fees

increased \$505,864 (4.4%), which is primarily attributable to drier weather conditions during fiscal 2023. Water usage in fiscal 2023 was slightly higher during the peak growing season (May through September) than fiscal 2022. Also, continued growth, both residential and commercial, contributed to this increase. Sewer access fees decreased \$1.2 million (51.4%). Sewer access fees are fees charged to customers for new access to the sewer system. These fees can vary greatly from year to year depending on the level of development.

Operating expenses increased \$796,843 (9.1%). Major components of this increase include an increase in employee benefits of \$174,366 (43.6%); an increase in utilities of \$139,857 (18.8%); and an increase in management fees of \$351,750 (18.0%); More information on these changes can be found in the *Proprietary Funds* section.

For more details on the Sewer Fund, see the *Business-type Activities* and *Proprietary Funds* sections of this Management's Discussion and Analysis.

Solid Waste Management Fund (Business-type activity)

The Solid Waste Management Fund (SWMF) accounts for services to collect and dispose of solid waste and recycling materials provided to the City's residents and businesses. The SWMF's assets include heavy equipment, vehicles, and other equipment. The City contracts with a private company for landfill services. The City has a permit for a construction and demolition landfill which has been closed for a number of years but is still under monitoring.

The SWMF's net position decreased \$639,252 (24.2%) in fiscal year 2023. This decrease is attributable to an increase in net investment in capital assets of \$282,152 (21.5%) and a decrease of \$921,403 (69.6%) in unrestricted net position due to liabilities related to pensions and other post-employment benefits (OPEB).

Assets of the SWMF decreased \$437,024 (9.2%). Cash and cash equivalents decreased \$709,037 (27.9%) which is primarily attributable to the fund's operating loss of \$671,533. This decrease is offset by an increase in capital assets of \$282,152 (21.5%). Asset acquisitions included three vehicles and two pieces of heavy equipment. Liabilities increased \$926,493 (39.0%) primarily due to the increase in net pension liability of \$847,823 (52.3%). This increase is mainly due to the difference between projected and actual earnings on plan investments.

Operating revenues of the SWMF increased \$234,851 (4.3%). As discussed in the *Proprietary Funds* section, this change in operating revenue is due to an increase in collection fees. Collection fees are user fees charged to customers based on their collection services, both residential and commercial. Operating expenses increased \$812,122 (14.6%). Major components of this increase include an increase in salaries and benefits of \$642,520 (23.5%); and an increase in repairs, maintenance, and parts of \$84,688 (17.0%). More information on these changes can be found in the *Proprietary Funds* section.

For more details on the Solid Waste Management Fund, see the *Business-type Activities* and *Proprietary Funds* sections of this Management's Discussion and Analysis.

General Fund Budgetary Highlights

The City of Auburn adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. Auburn's management actively uses the budget as a financial management tool, reporting on budget status to the City Council

each month. The budget integrates with the financial management system, enabling management at all levels to determine budgetary status on a line-item basis each day. Management constantly reviews the annual budgets in preparation for mid-year or mid-biennium adjustments. Revenue projections and budgeted expenditures are adjusted via Council ordinance to reflect changing conditions.

The fiscal year 2023 *final* General Fund budget projected \$134.0 million in revenue and \$5.9 million in other financing sources; appropriations were approved for \$149.3 million in expenditures and \$3.5 million in other financing uses, producing a planned decrease of \$13.0 million in the General Fund's fund balance. Actual amounts for revenues (\$139.9 million), other financing sources (\$4.5 million), expenditures (\$130.3 million), and other financing uses (\$78,609) netted to a larger ending fund balance than expected. The General Fund's fund balance increased by \$14.1 million in 2023 from revenues and other sources and expenditures and other uses. Total ending fund balance in the General Fund was \$95.5 million at the end of fiscal 2023.

The *original* revenue projections in the General Fund were \$9.8 million (7.9%) under the *final* projections. Budget adjustments resulted from varied growth/decline in revenue sources, with the largest increase found in interest (\$1.2 million or 381.9%). Other significant increases from budget adjustments were seen in general property taxes (\$875,200 or 11.0%), lodging taxes (\$810,800 or 25.2%), and state shared taxes (\$719,648 or 11.6%). Should Auburn experience financial difficulty, alteration of spending can be made because of management's assessment of revenue changes during the year, using tools such as monthly financial reports and real-time department budget to actual reports.

The *final* operating budget for all departments increased \$1.4 million (1.8%) over the *original* budget. The three largest increases (\$473,335, \$314,497, and \$309,095) were in the amounts appropriated for engineering services, public safety, and parks and recreation, respectively.

Total actual departmental expenditures in the General Fund were under budget \$6.5 million in fiscal 2023. All individual departments kept expenditures under final budget except for employee services, which includes the cost of operating the City's self-insured employee health benefits program. This department is over budget due to increased health insurance claims and rising health care costs. The other City departments were under budget, with the most notable being public safety, engineering services, public works, and parks and recreation. More details of these departments are included below.

- The public safety function was under budget \$2.9 million. Most of this savings is attributable to vacant positions that were approved and budgeted in both the regular and temporary employee categories for the police and fire departments.
- The engineering services function was under budget \$818,626. One component of this savings is the result of the signal performance measures project being cancelled. Other factors contributing to this variance includes a decrease in traffic signs and signal parts due to less items needing repair and a decrease in outside professional services that were not needed during the fiscal year.
- The public works function was under budget \$645,404. This savings is primarily due to vacant positions that were approved and budgeted for several divisions along with highly variable expenditures in areas such as street and infrastructure maintenance.

- The parks and recreation function was under budget \$618,983. This function includes a variety of parks and recreation expenditure types, including temporary employees that work leisure activities and parks maintenance. These temporary positions were under budget by \$292,186. Due to vacant positions that were approved and budgeted for all divisions, the regular full-time positions were also under budget \$183,421.

Non-departmental expenditures were over budget by \$542,694 due to several factors. In an effort to provide aesthetic improvements and a more efficient, user-friendly and reliable power supply downtown, underground utilities were installed. This was a project that was not originally planned and not in the budget. Also, credit card fees were over budget. To reduce these fees, the City renegotiated rates with the current credit card processor and swapped credit card processors for the processing of permits in the inspection services department.

Capital outlay expenditures were under budget \$13.4 million. The General Fund budget includes estimated expenditures for capital projects such as streets and roadway improvements and facilities' improvements. Many of these projects are multi-year although the budget is for the entire project. Any remaining budget for these projects is typically carried over to the next fiscal year during the year-end or mid-biennium budget process.

Payments to component units was under budget by \$620,560 due to the annual true-up payment to Auburn City Schools for its appropriation from sales and use taxes collected. The true-up varies from year to year because the appropriation is based on projected sales and use taxes.

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

Capital assets are those assets that have a cost of \$5,000 or more (\$100,000 for software) and an expected useful life of more than two years. The City records capital assets at historical cost. If the historical cost is unknown, an estimated cost is developed as provided by Generally Accepted Accounting Principles. As of September 30, 2023, the City owned \$458.7 million invested in a broad range of capital assets, including land, buildings, park facilities, roads and bridges, wastewater infrastructure, sidewalks, bikeways, vehicles, and other equipment. This amount represents an increase of \$52.7 million (13.0%) over last year.

Table 8 lists the largest capital asset additions to the City for fiscal year 2023. Some of these additions were multi-year projects completed in 2023 and reclassified from construction in progress.

Table 8 **Largest Capital Asset Additions**
Fiscal Year 2023

	Total Cost
<i>Land and buildings</i>	\$
Environmental Services/Public Works facility	31,433,281
Soccer Complex	11,295,921
<i>Roadway and intersection improvements</i>	
FY21 resurfacing	2,925,017
S College St/Samford/Gay St lighting	687,683
Gay St parking deck restoration	460,030
Moore's Mill Road/Hamilton Road widening	429,824
S College St/Shell Toomer Pkwy widening	400,072
<i>Other improvements</i>	
Martin Luther King multi-use path	796,137
Boykin gymnasium HVAC	330,511
Frank Brown gymnasium HVAC	315,588
Total	<u>49,074,064</u>

The City has committed, through general fund funding and potential future borrowings, to continue or complete major construction projects in fiscal years 2024 and 2025. Although the timing and size of these projects could require adjustments to the schedule, the current capital improvements plan (CIP) for the next two years includes the following:

- Public safety projects, including a new training center;
- Parks and recreation projects, including a new community center;
- Community services projects, including an expansion to an existing community center;
- Traffic and transportation projects; and
- Sewer improvement projects.

Note 8 of the narrative notes to the financial statements provides additional detail on capital assets.

Long-term Liabilities

At 2023 fiscal year-end, the City owed \$388.2 million in long-term liabilities, of which \$18.2 million will mature during fiscal 2024. Long-term liabilities include bonds, warrants, and notes payable, accumulated annual leave, claims payable, landfill closure liability, other post-employment benefits liability, and pension liability. The fiscal 2023 net increase in long-term liabilities, including the current portion, from the previous year was \$7.0 million or 1.8%.

Bonds and warrants payable

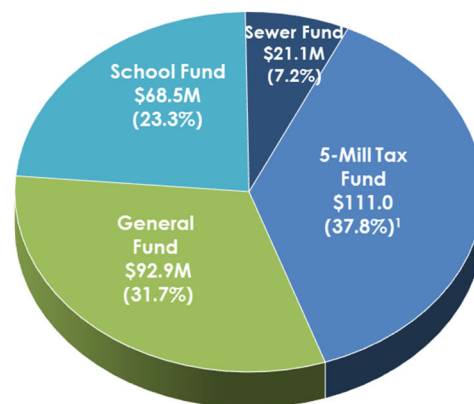
Bonds, warrants, and notes payable outstanding on September 30, 2023, totaled \$293.5 million. As mentioned in the *Net Position* section, the City issues debt for Auburn City Schools and for projects that result from partnerships with Auburn University or component units of the City. Of the \$293.5 million in debt outstanding, \$179.4 million is debt issued for assets that belong to Auburn City Schools and \$768,927 is debt issued for assets that are owned by the City's Public Park and Recreation Board.

General obligation debt is usually payable from the City's general revenues (the General Fund). However, some long-term debt is payable from legally restricted revenue sources, such as debt issued to provide financing for Auburn City Schools, which is payable from property taxes dedicated for education purposes. In addition, the City levies a property tax, the Special Five Mill Tax, which is legally restricted for repaying debt issued to finance projects approved by the voters. The City also issues general obligation debt for sewer purposes, which is intended to be repaid from the Sewer Fund, and for capital improvements related to development agreements, which is issued with the intent being that a developer will pay the debt service as required by the agreement.

Figure D illustrates the various funding sources for the repayment of the City's long-term debt.

Figure D

**Debt Principal Outstanding by Repayment Source
September 30, 2023**



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

At the end of fiscal 2023, the Special Five Mill Tax Fund had long-term debt outstanding of \$110.9 million. The City dedicated the resources of this fund to Auburn City Schools. In July 2019, the City held a special municipal election allowing the citizens to vote on using the Special Five Mill Tax Fund for improvements to existing school facilities, including Cary Woods Elementary and J. F. Drake Middle School. The referendum passed and \$37.1 million in general obligation bonds were issued in fiscal 2020.

The City also repays debt issued for Auburn City Schools from the Special School Tax Fund, which is a fund that accounts for 16 mills of ad valorem taxes legally restricted for education purposes. The principal amount of currently outstanding school debt is \$68.5 million, which will be repaid from these dedicated taxes. The most recent debt issue in this fund was in fiscal 2022. The City issued \$10.2 million in general obligation warrants to fully refund the 2012-B general obligation warrants. This refunding allowed the City to take advantage of lower interest rates.

The Sewer Fund (a business-type activity of the City) pays for long-term debt issues with total principal outstanding of \$21.1 million at the end of fiscal 2023. Sewer Fund debt is issued to construct and improve the sewer system. Although the City issues general obligation debt, sewer service revenue supports debt payments for any sewer related debt. The most recent debt issue in this fund was in fiscal 2022. The City issued \$3.0 million

in general obligation warrants to fully refund the 2012-B general obligation warrants. As mentioned above, this refunding allowed the City to take advantage of lower interest rates.

The remaining \$92.9 million in outstanding principal will be repaid solely from the General Fund. The last debt issued that is repaid from the General Fund is \$48.9 million in general obligation warrants issued in fiscal 2022. The proceeds from this issuance are being used for improvements to the soccer complex, construction of Will Buechner Parkway and construction of the Environmental Services and Public Works facility.

The reader may refer to Note 9 of the narrative notes to the financial statements for more detail concerning the debt issuances and debt outstanding of the City and its component units.

State law limits the amount of general obligation debt the City can issue to 20 percent of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, and water and sewer purposes are exempt from the legal debt limit. The City's outstanding debt applicable to this limit is \$91.2 million, resulting in a legal debt margin (additional legal debt capacity) of \$223.1 million.

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2023 is 12.0%; the ratio for 2022 was also 12.0%.

Bond Ratings

In July 2022, Standard and Poor's (S&P) affirmed the City of Auburn's bond rating as AA+. In their report, S&P cites very strong management, as well as Auburn's "strong economy, with a local stabilizing institutional influence, very strong management with strong financial policies and practices, strong budgetary performance, and very strong liquidity" as factors that were considered in the rating. According to S&P, an AA+ rating indicates a "strong capacity to meet financial commitments."

In addition, the City holds a rating of Aa2 from Moody's Investors Service, also issued in July 2022. The Moody's rating report cited the City's "healthy financial position, marked by strong reserve and liquidity levels and formalized fiscal policies" as among the factors considered in rating the City's credit.

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

The City's strategic goals, which guide management's decision-making processes, are concisely outlined in the City's mission statement:

City of Auburn Mission Statement

The *mission* of the City of Auburn is to provide economical delivery of quality services created and designed in response to the needs of its citizens rather than by habit or tradition. We will achieve this by:

Encouraging planned and managed growth as a means of developing an attractive built-environment and protecting and conserving our natural resources;

- Creating diverse employment opportunities leading to an increased tax base;
- Providing and maintaining reliable and appropriate infrastructure;

- Providing and promoting quality housing, educational, cultural and recreational opportunities;
- Providing quality public safety services;
- Operating an adequately funded city government in a financially responsible and fiscally sound manner;
- Recruiting and maintaining a highly motivated work force committed to excellence; and
- Facilitating citizen involvement.

The City's robust budgetary processes, proactive financial management efforts, aggressive (yet selective) industrial and commercial recruitment strategies, the presence of Auburn University, a diversified revenue base and the exceptional City public school system, all combine to position Auburn as a strong municipal economy. As the economy within the State of Alabama and the nation continues to improve, Auburn has remained stable and has experienced a growing economy. The City's unemployment rates typically compare favorably with the State and national rates. The most recent data available from the Alabama Department of Labor show that for September 2023, Auburn's unemployment rate (Auburn-Opelika metropolitan) was 2.2%. The State's unemployment rate in September 2023 was 2.2%, while the national rate was 3.8% (US Bureau of Labor Statistics, September 2023).

The Auburn City Council is committed to the development of a diversified economic base, with Auburn University as the cornerstone. The City's Economic Development Department, in partnership with the City's Industrial Development Board, has achieved an outstanding level of success in this effort, having announced the recruitment of more than fifty-five companies, resulting in the announcement of nearly 8,000 jobs over the last three decades. The location of these companies in Auburn has meant that the City had to acquire and develop four industrial-technology parks. Industrial property was purchased in 2023 and additional property was identified, with a purchase planned for early 2024. Companies in Auburn continue to invest in the area with 6 existing companies announcing expansions in 2023 with a total capital investment greater than \$239.0 million. Two companies new to the Auburn area—Coca-Cola Bottling Co. United, Inc. and INICS Battery Solutions Corp. —joined the industrial base in 2023. In total, these new companies and expansions of existing companies will add nearly 350 jobs to the Auburn economy.



The City's Commercial Development Incentive Program (CDIP) has assisted new and redeveloped commercial enterprises in our area. In 2023, a new urban Target opened in downtown Auburn, further enhancing the walkable shopping options available to

students from Auburn University. Additionally, exit 50, the new gateway to Auburn, celebrated the opening of Buc-ee's, which provides a travel stop with Texas-sized offerings to travelers along the I-85 corridor. These projects, among others, are a true testament to the success of the program as the availability of the CDIP remains a valuable tool in recruiting for commercial growth in Auburn.

Auburn's consistent growth continues for many reasons. One major reason for this growth is the success of Auburn City Schools (ACS), the City's public school system. ACS has received consistently high ratings for the qualifications of its faculty and staff and the achievements of its students, as well as strong local funding levels. The ACS standard of excellence proves a major factor in the City's residential growth and contributes to the City's geographic growth through annexations. In fiscal 2021, a record high of 642 permits were issued for single-family detached homes. During fiscal 2022, the number decreased to 338. For fiscal 2023, the number returned to typical levels with 391 permits issued. This is an increase of 53 permits (15.7%) from the previous fiscal year. Commercial/industrial/institutional building valuation (including new construction and additions/renovations) increased in fiscal 2023 compared to the activity of 2022 in terms of valuation by \$65.6 million or 47.6%. The primary component of this increase in valuation resulted from two permits for industrial expansions in the Auburn Technology Park. The City's size has grown from 45.5 square miles in 2001 to 63.6 square miles in 2023. Population growth continues to average over 3% per year. Auburn's population has grown by 26,626 (49.9%) from 53,380 in the 2010 census to 80,006 in 2022 per the U.S. Census Bureau.

The City's staff considered all the factors described above in preparing the mid-biennium budget review for fiscal years 2023 and 2024. Various revenue scenarios were developed and analyzed as management developed realistic yet conservative revenue projections. Management's strategy has been to continue to contain operating costs while maintaining high levels of service and investing in capital asset maintenance and replacement. As mentioned in the *Capital Assets* section of this report, the City has several capital projects slated for 2024 and 2025. As 2024 progresses, decisions will be made about the timing of these projects and any changes will be included in a budget adjustment that will be presented to Council in late summer. In addition, any necessary changes to revenue projections and operating expenditures/expenses will be adjusted at this time. As of the date of this report, staff has already begun planning for the fiscal 2025 annual budget. In an effort to streamline the budget process with the City's operational and capital considerations, the City will adopt a one-time annual budget for fiscal 2025. The biennial budget process will resume for fiscal 2026-2027. The main focus will be on capital projects, as well as on maintaining high levels of service for the City's programs. As part of the City's budget process, projected revenues and proposed expenditures are input into the long-term forecasting model to determine the effects on fund balances of various scenarios. Use of the long-term forecasting model is helpful for determining the effects of tax or fee increases that may be considered, as well as the need for borrowing, within the context of proposed expenditure scenarios.

The Council has adopted a policy of maintaining the fund balance in the General Fund at not less than 6% of expenditures plus other financing uses, but management's goal is 25%. The City has consistently exceeded this goal; the total fund balance in the General Fund on September 30, 2023 was 73.3% of expenditures plus other financing uses compared to 68.0% in 2022. The total fund balance includes \$4.4 million designated by the Council for use only in the event of natural disaster or significant, unexpected

economic downturn. Total fund balance less the designated \$4.4 million comprised 70.0% of expenditures and other financing uses. Another useful measure is the comparison of fund balance with total revenues, excluding other financing sources. The General Fund's total fund balance as a percentage of revenues was 68.3% and 64.0% at the end of fiscal 2023 and 2022, respectively, another indication of the stability of fund balance. These large percentages are due to revenues being higher than projected and projects taking longer because of supply chain issues and contractor availability.

The primary government provides wastewater treatment and disposal and solid waste management utility services. As discussed in the *Business-Type Activities* section of this report, the City constantly monitors the need for sewer and solid waste rate changes by studying and evaluating whether existing rates will meet the projected operating and capital needs of each activity in the future. During fiscal 2023, the City worked with a consultant to develop a solid waste rate model for the City's solid waste and recycling program. Although no specific action has been taken to adjust rates based on this study, it provides the City with a management tool to anticipate future needs, including both operating and capital costs for the solid waste and recycling function. A formal rate study for sewer services will occur in fiscal 2025.

The Water Works Board of the City of Auburn, a component unit of the City, provides water services to the citizens of Auburn. During fiscal year 2023, the Board hired a rate consultant to complete a revenue sufficiency and access fee study. The study evaluated the Board's ability to meet current and projected operating and capital expenses with existing revenues. In October 2023, the rate study consultant, in conjunction with staff, provided a recommendation of necessary water rate levels to meet revenue requirements through fiscal 2028. No adjustments to water usage rates were recommended for fiscal years 2024 and 2025. The minimum monthly bill of 3,000 gallons for residential water customers remained constant at \$15.75 for fiscal years 2024 and 2025.

The Board utilizes four sources to provide safe drinking water to the citizens of Auburn: Lake Ogletree, a groundwater production well (AWWB Well #3), a groundwater source well (AWWB Well #4) and purchases from Opelika Utilities. Additionally, Lake Ogletree is sometimes supplemented with water from the Martin Marietta Quarry.

An expanding populace translates into additional needs for public services and facilities. Auburn citizens enjoy and continue to expect a high quality of life from their City government. In the past, Auburn citizens have demonstrated their willingness to pay for these services and facilities by supporting the Council's decision to increase the sales tax rate as necessary. The last increase was in fiscal 2011 when the Council decided to increase the sales tax rate from 3% to 4%. This public support is attributable, at least in part, to the open government policies of the City Council, as well as the public's confidence that the City's finances are carefully managed, and their knowledge that taxes and license fee increases are imposed infrequently and proposed only after deliberate study and debate. Auburn's management team carefully follows potential revenue changes at the state level, as well. As bills that could potentially affect the City's revenue structure are introduced, staff carefully reviews the bills and actively lobbies, as appropriate. Although there are no future changes to tax rates planned, Auburn's management continues to evaluate and project the needs of the City and will make recommendations to the City Council, as necessary.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Auburn's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. For any additional questions or information, please contact the City of Auburn Finance Department by mail, 144 Tichenor Avenue, Suite 5, Auburn, Alabama 36830, or by email, webfinance@auburnalabama.org. Updated financial information about the City is also available by accessing the City's web site at www.auburnalabama.org/finance/city-information/acfr.

Basic Financial Statements

These statements provide a summary overview of the financial position of all funds and of the operating results by fund types for the City and its component units. They also serve as an introduction to the more detailed statements and schedules that follow. Separate columns are used for each fund type and for each of the City's discretely presented component units.



City of Auburn

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
ASSETS				
Current assets:				
Cash and cash equivalents	42,820,423	8,237,688	51,058,111	78,472,727
Investments	-	-	-	9,858,624
Certificates of deposit	14,423,038	1,016,996	15,440,034	5,261,426
Receivables, net	15,643,745	2,238,233	17,881,978	2,238,693
Accrued interest receivable	-	-	-	175,827
Due from component units	528,203	563,632	1,091,835	-
Inventories	343,290	99,448	442,738	968,517
Current portion of mortgages and notes receivable	140,705	-	140,705	-
Current portion of leases receivable	-	-	-	1,700,216
Current portion of net investment in capital leases	-	-	-	975,211
Property tax receivable	-	-	-	12,258,312
Interest receivable	-	-	-	140,448
Due from other governments	-	-	-	4,469,495
Due from primary government	-	-	-	50,500
Other current assets	4,038,934	52,620	4,091,554	281,704
Restricted cash	11,627,085	-	11,627,085	6,812
Total current assets	<u>89,565,423</u>	<u>12,208,617</u>	<u>101,774,040</u>	<u>116,858,512</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	-	-	-	3,140,040
Leases receivable, net of current portion	-	-	-	25,407,258
Mortgages and notes receivable, net of current portion	1,431,890	-	1,431,890	-
Investments	90,333,708	10,079,987	100,413,695	5,686,115
Net investment in capital leases, net of current portion	-	-	-	17,915,734
Property for resale	4,131,127	-	4,131,127	12,133,753
Capital assets not being depreciated	61,624,690	269,451	61,894,141	47,283,553
Capital assets net of accumulated depreciation	313,676,013	83,088,070	396,764,083	334,367,214
Total noncurrent assets	<u>471,197,428</u>	<u>93,437,508</u>	<u>564,634,936</u>	<u>445,933,667</u>
Total assets	<u>560,762,851</u>	<u>105,646,125</u>	<u>666,408,976</u>	<u>562,792,179</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	1,134,488	1,203,205	2,337,693	1,642,189
Pension related	23,754,650	1,931,248	25,685,898	41,566,439
OPEB related	1,803,991	208,537	2,012,528	21,710,225
Total deferred outflows of resources	<u>26,693,129</u>	<u>3,342,990</u>	<u>30,036,119</u>	<u>64,918,853</u>

CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023
CONTINUED

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
	\$	\$	\$	\$
LIABILITIES				
Current liabilities:				
Liabilities payable from restricted assets:				
Current portion of long-term debt	-	-	-	1,390,000
Accrued interest payable	-	-	-	174,872
Accounts payable and other accrued liabilities	7,692,319	506,542	8,198,861	4,119,928
Due to other governments	-	-	-	4,178
Due to component units	971,662	18,946	990,608	-
Accrued interest payable	3,286,058	90,170	3,376,228	-
Salaries and benefits payable	818,727	103,790	922,517	9,020,945
Claims payable	554,285	-	554,285	-
Customer deposits	531,135	848,787	1,379,922	704,606
Unearned revenue	14,655,541	-	14,655,541	368,777
Current portion of long-term debt	14,188,916	3,680,700	17,869,616	8,576,099
Current portion of OPEB liability	257,989	25,533	283,522	16,490
Retainage payable	-	-	-	50,000
Due to primary government	-	-	-	1,091,836
Total current liabilities	<u>42,956,632</u>	<u>5,274,468</u>	<u>48,231,100</u>	<u>25,517,731</u>
Noncurrent liabilities:				
Long-term debt and other liabilities	281,779,139	17,942,614	299,721,753	66,773,084
Net pension liability	60,851,602	4,433,984	65,285,586	113,956,161
OPEB liability	4,579,139	509,705	5,088,844	14,364,435
Total noncurrent liabilities	<u>347,209,880</u>	<u>22,886,303</u>	<u>370,096,183</u>	<u>195,093,680</u>
Total liabilities	<u>390,166,512</u>	<u>28,160,771</u>	<u>418,327,283</u>	<u>220,611,411</u>
DEFERRED INFLOWS OF RESOURCES				
Future property tax revenue	-	-	-	12,258,312
Pension related	-	84,532	84,532	3,121,919
Deferred lease revenue	-	-	-	26,383,703
OPEB related	1,439,039	142,019	1,581,058	52,943,990
Total deferred inflows of resources	<u>1,439,039</u>	<u>226,551</u>	<u>1,665,590</u>	<u>94,707,924</u>
NET POSITION				
Net investment in capital assets	270,992,789	63,109,399	334,102,188	326,882,063
Restricted for :				
Capital projects	6,087,410	4,520,734	10,608,144	3,867,816
Debt service	10,816,521	-	10,816,521	-
Federal and state grants	4,232,631	-	4,232,631	-
Other Projects	-	-	-	9,688,361
Special revenues (gas tax and road projects)	242,737	-	242,737	-
Special revenues (education)	47,084,668	-	47,084,668	-
Special revenues (public safety)	809,203	-	809,203	-
Unrestricted (deficit)	<u>(144,415,530)</u>	<u>12,971,660</u>	<u>(131,443,870)</u>	<u>(28,046,543)</u>
Total net position	<u>195,850,429</u>	<u>80,601,793</u>	<u>276,452,222</u>	<u>312,391,697</u>

CITY OF AUBURN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities:								
General government and administration	16,625,891	20,537,399	7,825,694	-	11,737,202	-	11,737,202	
Public works	10,847,862	-	1,298,851	7,520,705	(2,028,306)	-	(2,028,306)	
Environmental services	2,134,722	-	-	-	(2,134,722)	-	(2,134,722)	
Public safety	32,916,753	7,508,750	187,232	218,494	(25,002,277)	-	(25,002,277)	
Library	3,030,477	20,180	15,352	-	(2,994,945)	-	(2,994,945)	
Parks and recreation	9,040,579	1,139,279	-	593,202	(7,308,098)	-	(7,308,098)	
Development services	6,543,625	56,435	-	1,617,040	(4,870,150)	-	(4,870,150)	
Social and economic development	15,441,297	-	4,387,220	330,511	(10,723,566)	-	(10,723,566)	
Human resources	10,301,520	5,305,384	-	-	(4,996,136)	-	(4,996,136)	
Risk management	743,688	-	-	-	(743,688)	-	(743,688)	
Education (payments to Board of Education)	33,201,371	-	-	-	(33,201,371)	-	(33,201,371)	
Interest on long-term debt	10,273,105	-	-	-	(10,273,105)	-	(10,273,105)	
Total governmental activities	<u>151,100,890</u>	<u>34,567,427</u>	<u>13,714,349</u>	<u>10,279,952</u>	<u>(92,539,162)</u>	<u>-</u>	<u>(92,539,162)</u>	
Business-type activities:								
Sewer Fund	10,002,573	13,292,019	29,080	2,086,960	-	5,405,486	5,405,486	
Solid Waste Management Fund	6,380,518	5,708,206	-	-	-	(672,312)	(672,312)	
Total business-type activities	<u>16,383,091</u>	<u>19,000,225</u>	<u>29,080</u>	<u>2,086,960</u>	<u>-</u>	<u>4,733,174</u>	<u>4,733,174</u>	
Total primary government	<u>167,483,981</u>	<u>53,567,652</u>	<u>13,743,429</u>	<u>12,366,912</u>	<u>(92,539,162)</u>	<u>4,733,174</u>	<u>(87,805,988)</u>	
Component units:								
Board of Education	123,001,085	8,043,757	72,915,746	3,284,597	-	-	-	(38,756,985)
Water Works Board	13,209,160	13,969,698	-	2,391,200	-	-	-	3,151,738
Industrial Development Board	4,769,291	2,274,438	-	247,376	-	-	-	(2,247,477)
Public Park & Recreation Board	1,183,105	329,972	-	-	-	-	-	(853,133)
Downtown Redevelopment Authority	19,879	-	-	-	-	-	-	(19,879)
Total Component Units	<u>142,182,520</u>	<u>24,617,865</u>	<u>72,915,746</u>	<u>5,923,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,725,736)</u>
General revenues								
Taxes:								
Sales taxes					61,290,146	-	61,290,146	11,989,053
Occupational license fees					17,779,298	-	17,779,298	-
Property taxes					43,524,645	-	43,524,645	18,161,911
Motor fuel taxes					501,142	-	501,142	-
Lodging taxes					4,211,007	-	4,211,007	-
Rental and leasing taxes					869,750	-	869,750	-
Cigarette taxes					43,514	-	43,514	-
Alcoholic beverage taxes					371,402	-	371,402	631,535
Other taxes					-	-	-	57,398
Appropriations from the City of Auburn					-	-	-	30,892,917
Grants and contributions not restricted					-	-	-	1,780
Interest and investment earnings					4,872,963	371,164	5,244,127	2,941,261
Net increase (decrease) in fair value of investments					457,598	245,593	703,191	188,783
Lease interest received					-	-	-	1,421,501
Gain/(Loss) on disposal of assets					1,331,972	50,767	1,382,739	(1,798,931)
Rental income					-	-	-	120,000
Miscellaneous					865,915	3,983	869,898	1,968,071
Transfers					56,129	(56,129)	-	-
Total general revenues and transfers					<u>136,175,481</u>	<u>615,378</u>	<u>136,790,859</u>	<u>66,575,279</u>
Change in net position					<u>43,636,319</u>	<u>5,348,552</u>	<u>48,984,871</u>	<u>27,849,543</u>
Net position - beginning					152,322,693	75,253,241	227,575,934	285,437,828
Prior period adjustment					(108,583)	-	(108,583)	(895,674)
Net position - beginning, as restated					<u>152,214,110</u>	<u>75,253,241</u>	<u>227,467,351</u>	<u>284,542,154</u>
Net position - ending					<u>195,850,429</u>	<u>80,601,793</u>	<u>276,452,222</u>	<u>312,391,697</u>

CITY OF AUBURN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2023

	General Fund	Special School Tax Fund	CV Local Fiscal Recovery Fund	2022 Capital Projects Fund	2023 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash and cash equivalents	14,710,828	9,039,067	12,549,724	-	-	6,520,804	42,820,423
Certificates of deposit	9,878,525	3,786,952	-	-	-	757,562	14,423,039
Investments	51,745,704	31,980,213	-	-	-	6,607,791	90,333,708
Receivables, net	14,377,993	311,071	45,815	46,858	-	862,009	15,643,746
Due from other funds	5,296,291	-	-	-	-	106,235	5,402,526
Due from component units	528,203	-	-	-	-	-	528,203
Inventories	343,290	-	-	-	-	-	343,290
Prepaid items	3,851,815	-	-	-	-	-	3,851,815
Mortgages receivable	-	-	-	-	-	1,572,595	1,572,595
Restricted cash	529,859	2,912,899	-	8,134,899	-	49,428	11,627,085
Property for resale	4,131,127	-	-	-	-	-	4,131,127
Total assets	105,393,635	48,030,202	12,595,539	8,181,757	-	16,476,424	190,677,557
LIABILITIES							
Accounts payable and accrued liabilities	5,634,924	2,706	78,874	1,712,268	1,296,646	98,329	8,823,747
Due to component units	28,835	942,827	-	-	-	-	971,662
Customer deposits	218,435	-	-	-	-	-	218,435
Claims payable	678,534	-	-	-	-	-	678,534
Due to other funds	-	-	-	672,204	4,505,771	224,551	5,402,526
Unearned revenue	3,334,814	-	11,913,955	-	-	1,600,395	16,849,164
Total liabilities	9,895,542	945,533	11,992,829	2,384,472	5,802,417	1,923,275	32,944,068
FUND BALANCES							
Nonspendable							
Inventories	343,290	-	-	-	-	-	343,290
Prepaid items	3,851,815	-	-	-	-	-	3,851,815
Property for resale	4,131,127	-	-	-	-	-	4,131,127
Restricted							
Roads, bridges and streets	-	-	-	-	-	242,737	242,737
Law enforcement	529,859	-	-	-	-	915,229	1,445,088
Education	-	47,084,669	-	-	-	-	47,084,669
General grants	-	-	-	-	-	565,500	565,500
Social and economic development	-	-	602,710	-	-	1,695,752	2,298,462
Capital projects	-	-	-	5,797,285	14,881,712	290,125	20,969,122
Debt service	-	-	-	-	-	10,816,520	10,816,520
Committed							
Investments	1,103,656	-	-	-	-	-	1,103,656
Interest Subsidy Program	-	-	-	-	-	27,286	27,286
Assigned							
General	32,121,491	-	-	-	-	-	32,121,491
Unassigned	53,416,856	-	-	-	(20,684,129)	-	32,732,727
Total fund balances	95,498,094	47,084,669	602,710	5,797,285	(5,802,417)	14,553,149	157,733,490
Total liabilities and fund balances	105,393,635	48,030,202	12,595,539	8,181,757	-	16,476,424	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	375,300,703
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the current period.	(336,402,697)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,193,623
Prepaid items accounted for using the purchases method are not reported in the funds.	187,119
Accrued revenues and expenses that do not meet recognition criteria under the modified accrual basis of accounting are not recorded in the governmental funds.	(3,161,809)
Net position of governmental activities	<u>195,850,429</u>

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Special School Tax Fund	CV Local Fiscal Recovery Fund	2022 Capital Projects	2023 Capital Projects	Other Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$		\$	\$
Revenues							
Sales and use taxes	61,290,146	-	-	-	-	-	61,290,146
Occupational license fees	17,779,298	-	-	-	-	-	17,779,298
Motor fuel taxes	985,729	-	-	-	-	-	985,729
Lodging taxes	4,211,007	-	-	-	-	-	4,211,007
Rental and leasing taxes	867,514	-	-	-	-	-	867,514
Other taxes	414,915	-	-	-	-	-	414,915
Licenses and permits	18,368,518	-	-	-	-	-	18,368,518
General property taxes	8,901,489	26,874,068	-	-	-	7,749,088	43,524,645
Charges for services	15,360,807	-	-	-	-	-	15,360,807
Fines and forfeitures	691,372	-	-	-	-	109,841	801,213
State shared taxes	7,796,111	-	-	-	-	814,264	8,610,375
Contributions from the public	381,814	-	-	-	-	10,963	392,777
Grants	-	-	4,609,121	-	-	2,787,230	7,396,351
Program income	-	-	-	-	-	415,991	415,991
Interest	1,993,430	1,635,461	523,440	753,951	-	424,281	5,330,563
Miscellaneous	865,916	-	-	-	-	498	866,414
Total revenues	139,908,066	28,509,529	5,132,561	753,951	-	12,312,156	186,616,263
Expenditures							
General government and administration	6,680,545	-	-	-	-	5,086	6,685,631
Public works	4,774,355	-	-	-	-	-	4,774,355
Environmental services	1,898,796	-	-	-	-	-	1,898,796
Public safety	30,558,458	-	-	-	-	122,104	30,680,562
Library	2,833,898	-	-	-	-	15,352	2,849,250
Parks and recreation	7,424,682	-	-	-	-	-	7,424,682
Development services	6,188,060	-	-	-	-	-	6,188,060
Social and economic development	4,319,104	-	-	-	-	1,104,752	5,423,856
Human resources	10,183,490	-	-	-	-	-	10,183,490
Risk management	551,046	-	-	-	-	-	551,046
Total departmental	75,412,434	-	-	-	-	1,247,294	76,659,728
Non-Departmental	3,718,814	882,769	-	-	-	254,383	4,855,966
Debt service							
Administrative charges	1,437	1,312	-	(5,479)	-	825	(1,905)
Interest	4,001,483	2,124,811	-	-	-	4,852,141	10,978,435
Principal retirement	5,528,279	6,254,386	-	-	-	2,034,000	13,816,665
Capital outlay	16,188,113	-	1,309,122	31,758,658	5,802,417	1,927,641	56,985,951
Intergovernmental	3,145,290	-	3,300,000	-	-	-	6,445,290
Payments to component units	22,276,116	14,938,036	-	-	-	-	37,214,152
Total expenditures	130,271,966	24,201,314	4,609,122	31,753,179	5,802,417	10,316,284	206,954,282
Excess (deficiency) of revenues over expenditures	9,636,100	4,308,215	523,439	(30,999,228)	(5,802,417)	1,995,872	(20,338,019)
Other financing sources (uses)							
Leases (as lessee)	30,301	-	-	-	-	-	30,301
Subscriptions	2,142,715	-	-	-	-	-	2,142,715
Sale of surplus assets	1,442,061	-	-	-	-	-	1,442,061
Transfers in	910,547	-	-	13,375	-	529,663	1,453,585
Transfers out	(78,609)	(9,886)	-	-	-	(1,308,961)	(1,397,456)
Total other financing sources (uses)	4,447,015	(9,886)	-	13,375	-	(779,298)	3,671,206
Net changes in fund balances	14,083,115	4,298,329	523,439	(30,985,853)	(5,802,417)	1,216,574	(16,666,813)
Fund balances, beginning of year	81,414,979	42,786,340	79,271	36,783,138	-	13,336,575	174,400,303
Fund balances, end of year	95,498,094	47,084,669	602,710	5,797,285	(5,802,417)	14,553,149	157,733,490

CITY OF AUBURN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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

Net change in fund balances - total governmental funds	\$ (16,666,813)
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 and amortization expense in the current period.	45,930,682
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.	6,725,010
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond issue insurance, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	11,643,649
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.	(3,939,955)
Revenues previously recorded as unearned revenue in governmental funds that were recognized in prior years in the statement of activities, but in the current year in governmental funds.	(56,254)
Change in net position - statement of activities	<u>\$ 43,636,319</u>

CITY OF AUBURN, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
PRESENTED BY LEGAL LEVEL OF BUDGETARY CONTROL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues	\$	\$	\$	\$
Sales and use taxes	56,610,000	60,405,000	61,290,146	885,146
Occupational license fees	14,874,700	16,000,000	17,779,298	1,779,298
Motor fuel taxes	943,600	879,000	985,729	106,729
Lodging taxes	3,213,000	4,023,800	4,211,007	187,207
Rental and leasing taxes	990,000	990,000	867,514	(122,486)
Other taxes	364,834	405,600	414,915	9,315
Licenses and permits	16,159,200	17,279,300	18,368,518	1,089,218
General property taxes	7,935,000	8,810,200	8,901,489	91,289
Charges for services	15,037,218	14,922,888	15,360,807	437,919
Fines and forfeitures	999,000	900,000	691,372	(208,628)
State shared taxes	6,218,800	6,938,448	7,796,111	857,663
Contributions from the public	519,414	582,426	381,814	(200,612)
Interest	322,713	1,555,314	1,993,430	438,116
Miscellaneous	16,500	293,376	865,916	572,540
Total revenues	<u>124,203,979</u>	<u>133,985,352</u>	<u>139,908,066</u>	<u>5,922,714</u>
Expenditures				
City Council	279,232	332,232	267,072	65,160
Office of City Manager	1,252,423	1,267,026	1,145,265	121,761
Judicial	983,559	1,001,604	956,192	45,412
Information technology	2,648,703	2,659,017	2,237,230	421,787
Finance	1,967,556	1,978,663	1,869,927	108,736
Public services administration	214,169	215,361	204,859	10,502
Economic development	3,869,338	3,953,088	3,637,813	315,275
Development services	407,421	409,647	356,572	53,075
Planning services	958,598	963,589	788,582	175,007
Inspection services	1,658,060	1,690,914	1,568,651	122,263
Community services	728,030	730,829	681,291	49,538
Engineering services	3,819,546	4,292,881	3,474,255	818,626
Employee services	10,481,147	10,319,777	10,734,536	(414,759)
Public safety	33,112,088	33,426,585	30,558,458	2,868,127
Public works	5,287,611	5,419,759	4,774,355	645,404
Environmental services	2,105,639	2,126,569	1,898,796	227,773
Library	2,917,616	3,033,345	2,833,898	199,447
Parks and recreation	7,734,570	8,043,665	7,424,682	618,983
Total departmental	<u>80,425,306</u>	<u>81,864,551</u>	<u>75,412,434</u>	<u>6,452,117</u>
Non-departmental	2,436,120	3,176,120	3,718,814	(542,694)
Debt service:				
Administrative charges	3,000	3,000	1,437	1,563
Interest	4,471,930	3,952,736	4,001,483	(48,747)
Principal retirement	4,593,764	4,647,264	5,528,279	(881,015)
Capital outlay	32,719,896	29,554,850	16,188,113	13,366,737
Intergovernmental	1,619,781	3,187,170	3,145,290	41,880
Payments to component units	<u>19,228,625</u>	<u>22,896,676</u>	<u>22,276,116</u>	<u>620,560</u>
Total expenditures	<u>145,498,422</u>	<u>149,282,367</u>	<u>130,271,966</u>	<u>19,010,401</u>
Excess (deficiency) of revenues over expenditures	<u>(21,294,443)</u>	<u>(15,297,015)</u>	<u>9,636,100</u>	<u>24,933,115</u>
Other financing sources (uses)				
Leases (as lessee)	-	-	30,301	30,301
Subscriptions	-	-	2,142,715	2,142,715
Sale of surplus assets	50,000	1,400,795	1,442,061	41,266
Transfers in	4,202,250	4,449,250	910,547	(3,538,703)
Transfers out	<u>(3,375,000)</u>	<u>(3,540,000)</u>	<u>(78,609)</u>	<u>3,461,391</u>
Total other financing sources (uses)	<u>877,250</u>	<u>2,310,045</u>	<u>4,447,015</u>	<u>2,136,970</u>
Net changes in fund balances	(20,417,193)	(12,986,970)	14,083,115	27,070,085
Fund balances, beginning of year	<u>81,414,979</u>	<u>81,414,979</u>	<u>81,414,979</u>	-
Fund balances, end of year	<u>60,997,786</u>	<u>68,428,009</u>	<u>95,498,094</u>	<u>27,070,085</u>

CITY OF AUBURN, ALABAMA
SPECIAL SCHOOL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
General property taxes	23,634,600	26,867,600	26,874,068	6,468
Interest	170,000	970,000	1,635,461	665,461
Total revenues	<u>23,804,600</u>	<u>27,837,600</u>	<u>28,509,529</u>	<u>671,929</u>
Expenditures				
Non-Departmental	859,300	1,095,550	882,769	212,781
Debt service				
Administrative charges	1,500	1,500	1,312	188
Interest	2,124,984	2,124,984	2,124,811	173
Principal retirement	6,351,587	6,254,387	6,254,386	1
Payments to component units	<u>15,392,411</u>	<u>15,392,411</u>	<u>14,938,036</u>	<u>454,375</u>
Total expenditures	<u>24,729,782</u>	<u>24,868,832</u>	<u>24,201,314</u>	<u>667,518</u>
Excess (deficiency) of revenues over expenditures	<u>(925,182)</u>	<u>2,968,768</u>	<u>4,308,215</u>	<u>1,339,447</u>
Other financing sources (uses)				
Transfers out	-	-	(9,886)	(9,886)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(9,886)</u>	<u>(9,886)</u>
Net changes in fund balances	(925,182)	2,968,768	4,298,329	1,329,561
Fund balances, beginning of year	<u>42,786,340</u>	<u>42,786,340</u>	<u>42,786,340</u>	<u>-</u>
Fund balances, end of year	<u>41,861,158</u>	<u>45,755,108</u>	<u>47,084,669</u>	<u>1,329,561</u>

CITY OF AUBURN, ALABAMA
CV LOCAL FISCAL RECOVERY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$	\$	\$	\$
Grants	5,567,500	4,689,025	4,609,121	(79,904)
Interest	6,500	471,500	523,440	51,940
Total revenues	<u>5,574,000</u>	<u>5,160,525</u>	<u>5,132,561</u>	<u>(27,964)</u>
Expenditures				
Non-Departmental	300,000	-	-	-
Capital outlay	967,500	1,389,025	1,309,122	79,903
Intergovernmental	4,300,000	3,300,000	3,300,000	-
Total expenditures	<u>5,567,500</u>	<u>4,689,025</u>	<u>4,609,122</u>	<u>79,903</u>
Excess (deficiency) of revenues over expenditures	<u>6,500</u>	<u>471,500</u>	<u>523,439</u>	<u>51,939</u>
Net changes in fund balances	6,500	471,500	523,439	51,939
Fund balances, beginning of year	<u>79,271</u>	<u>79,271</u>	<u>79,271</u>	<u>-</u>
Fund balances, end of year	<u><u>85,771</u></u>	<u><u>550,771</u></u>	<u><u>602,710</u></u>	<u><u>51,939</u></u>

**CITY OF AUBURN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2023**

	Major Funds		Total
	Sewer Fund	Solid Waste Management Fund	
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6,403,362	1,834,326	8,237,688
Certificates of deposit	1,016,996	-	1,016,996
Receivables, net	1,582,376	655,857	2,238,233
Due from component units	445,547	118,085	563,632
Inventories	32,729	66,719	99,448
Other current assets	31,588	21,031	52,619
Total current assets	<u>9,512,598</u>	<u>2,696,018</u>	<u>12,208,616</u>
Noncurrent assets			
Investments	10,079,987	-	10,079,987
Capital assets not being depreciated	269,451	-	269,451
Capital assets net of accumulated depreciation	81,493,209	1,594,860	83,088,069
Total noncurrent assets	<u>91,842,647</u>	<u>1,594,860</u>	<u>93,437,507</u>
Total assets	<u>101,355,245</u>	<u>4,290,878</u>	<u>105,646,123</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	1,203,205	-	1,203,205
Pension related	893,424	1,037,824	1,931,248
OPEB related	98,819	109,718	208,537
Total deferred outflows of resources	<u>2,195,448</u>	<u>1,147,542</u>	<u>3,342,990</u>
LIABILITIES			
Current liabilities			
Accounts payable	367,568	138,973	506,541
Salaries and benefits payable	31,187	72,604	103,791
Due to component units	17,804	1,142	18,946
Accrued interest payable	90,170	-	90,170
Customer deposits	583,614	265,173	848,787
Current portion of long-term debt	3,680,700	-	3,680,700
Current portion of OPEB liability	7,979	17,554	25,533
Total current liabilities	<u>4,779,022</u>	<u>495,446</u>	<u>5,274,468</u>
Noncurrent liabilities			
Long-term debt and other liabilities	17,856,288	86,326	17,942,614
Net pension liability	1,966,365	2,467,619	4,433,984
OPEB liability	255,892	253,813	509,705
Total noncurrent liabilities	<u>20,078,545</u>	<u>2,807,758</u>	<u>22,886,303</u>
Total liabilities	<u>24,857,567</u>	<u>3,303,204</u>	<u>28,160,771</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	40,790	43,742	84,532
OPEB related	47,421	94,598	142,019
Total deferred inflows of resources	<u>88,211</u>	<u>138,340</u>	<u>226,551</u>
NET POSITION			
Net investment in capital assets	61,514,539	1,594,860	63,109,399
Restricted for capital projects	4,520,734	-	4,520,734
Unrestricted	12,569,642	402,016	12,971,658
Total net position	<u>78,604,915</u>	<u>1,996,876</u>	<u>80,601,791</u>

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

CITY OF AUBURN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Major Funds		Total
	Sewer Fund	Solid Waste Management Fund	
Operating revenues	\$	\$	\$
Charges for services	13,292,019	5,708,206	19,000,225
Miscellaneous	3,205	778	3,983
Total operating revenues	<u>13,295,224</u>	<u>5,708,984</u>	<u>19,004,208</u>
Operating expenses			
Salaries and wages	1,450,672	2,524,616	3,975,288
Employee benefits	574,076	853,061	1,427,137
Repairs and maintenance	5,179	53,174	58,353
Utilities	882,568	2,067	884,635
Professional services	341,496	857,385	1,198,881
Rentals and leasing	121,009	-	121,009
Insurance	31,204	32,835	64,039
Office supplies	27,482	5,458	32,940
Fuels and lubricants	81,931	421,511	503,442
Agricultural and chemical supplies	28,290	3,183	31,473
Minor equipment and tools	101,267	159,362	260,629
Repair parts and materials	155,460	530,226	685,686
Clothing and linens	24,856	16,832	41,688
Management fees	2,520,679	334,000	2,854,679
Depreciation/amortization	3,187,015	574,428	3,761,443
Travel and training	18,600	11,315	29,915
Miscellaneous	30,381	1,064	31,445
Total operating expenses	<u>9,582,165</u>	<u>6,380,517</u>	<u>15,962,682</u>
Operating income (loss)	<u>3,713,059</u>	<u>(671,533)</u>	<u>3,041,526</u>
Nonoperating revenues (expenses)			
Interest	586,762	29,992	616,754
Interest and fiscal charges	(420,408)	-	(420,408)
Gain (loss) on disposal of capital assets	36,567	14,200	50,767
Grants	29,080	-	29,080
Total nonoperating revenues (expenses)	<u>232,001</u>	<u>44,192</u>	<u>276,193</u>
Income (loss) before transfers and capital contributions	3,945,060	(627,341)	3,317,720
Transfers	(44,218)	(11,911)	(56,129)
Capital contributions - developers	<u>2,086,960</u>	<u>-</u>	<u>2,086,960</u>
Change in net position	5,987,802	(639,252)	5,348,551
Net position - beginning	72,617,113	2,636,128	75,253,241
Net position - ending	<u><u>78,604,915</u></u>	<u><u>1,996,876</u></u>	<u><u>80,601,791</u></u>

CITY OF AUBURN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Major Funds		
	Sewer Fund	Solid Waste Management Fund	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	13,307,814	5,724,100	19,031,914
Other cash collected	3,204	778	3,982
Customer deposits collected	37,314	19,789	57,103
Payments to suppliers for goods and services	(4,383,325)	(2,402,986)	(6,786,311)
Payments to employees for services	(1,872,955)	(3,226,419)	(5,099,374)
Net cash provided (consumed) by operating activities (A)	<u>7,092,052</u>	<u>115,262</u>	<u>7,207,314</u>
Cash flows from noncapital financing activities			
Transfers in	35,520	43,089	78,609
Transfers out	(79,738)	(55,000)	(134,738)
Proceeds from operating grant	15,992	-	15,992
Net cash provided (consumed) by noncapital financing activities	<u>(28,226)</u>	<u>(11,911)</u>	<u>(40,137)</u>
Cash flows from capital and related financing activities			
Principal repayments on borrowing	(3,562,700)	-	(3,562,700)
Proceeds from sale of assets	40,950	14,200	55,150
Acquisition and construction of capital assets	(959,096)	(856,580)	(1,815,676)
Interest and fiscal fees paid	(527,477)	-	(527,477)
Net cash provided (consumed) by capital and related financing activities	<u>(5,008,323)</u>	<u>(842,380)</u>	<u>(5,850,703)</u>
Cash flows from investing activities			
Interest on investments	340,622	29,992	370,614
Purchase of certificate of deposit	(1,016,996)	-	(1,016,996)
Sale of investments	2,736,909	-	2,736,909
Net cash provided (consumed) by investing activities	<u>2,060,535</u>	<u>29,992</u>	<u>(646,382)</u>
Net increase (decrease) in cash	4,116,038	(709,037)	3,407,001
Cash and cash equivalents, beginning of year	2,287,324	2,543,363	4,830,687
Cash and cash equivalents, end of year	<u>6,403,362</u>	<u>1,834,326</u>	<u>8,237,688</u>
Reconciliation of operating income (loss) to net cash provided by operating activities (A):			
Operating income (loss)	3,713,059	(671,533)	3,041,526
Add:			
Depreciation	3,187,015	574,427	3,761,442
Increase in accounts payable	22,458	32,283	54,741
Decrease in accounts receivable	133,543	11,662	145,205
Decrease in prepaid items	5,058	-	5,058
Increase in customer deposits	37,314	19,789	57,103
Increase in accrued leave	1,132	9,086	10,218
Decrease in amounts due from component units	-	4,232	4,232
Increase in pension related liabilities	711,565	847,823	1,559,388
Increase in OPEB liability	8,462	18,617	27,079
Decrease in OPEB related deferred outflows	910	2,003	2,913
Deduct:			
Decrease in amounts due to component units	(40,440)	(1,103)	(41,543)
Increase in amounts due from component units	(117,748)	-	(117,748)
Increase in prepaid items	-	(5,753)	(5,753)
Increase in deferred pension contributions	(338,836)	(441,456)	(780,292)
Decrease in pension related deferred inflows	(222,461)	(265,060)	(487,521)
Decrease in OPEB related deferred inflows	(8,979)	(19,755)	(28,734)
Net cash provided by operating activities	<u>7,092,052</u>	<u>115,262</u>	<u>7,207,314</u>
Noncash transactions:			
Estimated cost of sewer lines installed by and contributed to the City by developers	2,086,960	-	2,086,960

**CITY OF AUBURN, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
AS OF SEPTEMBER 30, 2023**

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
ASSETS	
Current assets:	
Cash and cash equivalents	823,650
 Total assets	 823,650
 NET POSITION	
Held in trust for:	
Auburn Dixie Baseball/Softball Association	133,532
Auburn Soccer Organization	573,196
Auburn Youth Football	67,236
Auburn Community Tennis Association	23,859
Auburn Cemetery Trust	25,827
 Total net position	 823,650

CITY OF AUBURN, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Youth Athletic Associations' Private-purpose Trust Fund
	\$
ADDITIONS	
Program revenues:	
Baseball/Softball	135,418
Soccer	179,506
Football	49,756
Tennis	3,530
Cemetery Trust	1,858
Total program revenues	370,068
Investment earnings:	
Baseball/Softball interest	236
Soccer interest	1,174
Football interest	61
Tennis interest	6
Cemetery Trust interest	59
Total investment earnings	1,536
Total additions	371,604
DEDUCTIONS	
Program expenses:	
Baseball/Softball	123,302
Soccer	226,074
Football	48,330
Tennis	5,605
Total deductions	403,311
Change in net position	(31,707)
Net position - beginning	855,357
Net position - ending	823,650

**CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023**

	Major Component Units				Total
	Board of Education	Water Works Board	Industrial Development Board	Nonmajor Component Units	
	\$	\$	\$	\$	\$
ASSETS					
Current assets:					
Cash and cash equivalents	66,854,098	7,518,482	4,099,604	543	78,472,727
Investments	9,858,624	-	-	-	9,858,624
Certificates of deposit	-	5,059,389	202,037	-	5,261,426
Receivables, net	44,003	2,093,408	18,509	82,773	2,238,693
Accrued interest receivable	-	-	175,827	-	175,827
Inventories	319,966	648,551	-	-	968,517
Current portion of leases receivable	-	-	1,700,216	-	1,700,216
Current portion of net investment in capital leases	-	-	920,220	54,991	975,211
Property tax receivable	12,258,312	-	-	-	12,258,312
Interest receivable	114,694	25,754	-	-	140,448
Due from other government	4,469,495	-	-	-	4,469,495
Due from primary government	-	50,500	-	-	50,500
Other current assets	-	138,652	139,169	3,883	281,704
Restricted cash	-	-	6,812	-	6,812
Total current assets	<u>93,919,192</u>	<u>15,534,736</u>	<u>7,262,394</u>	<u>142,190</u>	<u>116,858,512</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	3,140,040	-	-	3,140,040
Leases receivable, net of current portion	-	-	25,407,258	-	25,407,258
Investments	5,686,115	-	-	-	5,686,115
Net investment in capital leases, net of current portion	-	-	16,867,069	1,048,665	17,915,734
Property for resale	-	-	12,133,753	-	12,133,753
Capital assets not being depreciated	41,117,845	1,870,875	4,294,833	-	47,283,553
Capital assets, net of accumulated depreciation	<u>209,220,787</u>	<u>86,126,286</u>	<u>36,165,123</u>	<u>2,855,018</u>	<u>334,367,214</u>
Total noncurrent assets	<u>256,024,747</u>	<u>91,137,201</u>	<u>94,868,036</u>	<u>3,903,683</u>	<u>445,933,667</u>
Total assets	<u>349,943,939</u>	<u>106,671,937</u>	<u>102,130,430</u>	<u>4,045,873</u>	<u>562,792,179</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts on refunding, net	-	1,642,189	-	-	1,642,189
OPEB related	21,592,760	103,400	-	14,065	21,710,225
Pension related	40,546,607	900,600	-	119,232	41,566,439
Total deferred outflows of resources	<u>62,139,367</u>	<u>2,646,189</u>	<u>-</u>	<u>133,297</u>	<u>64,918,853</u>
LIABILITIES					
Current liabilities:					
Liabilities payable from restricted assets:					
Due to other government	-	-	-	-	-
Current portion of long-term debt	-	1,390,000	-	-	1,390,000
Accrued interest payable	-	81,484	93,388	-	174,872
Accounts payable and other accrued liabilities	2,577,148	1,439,275	41,247	62,258	4,119,928
Due to other governments	4,178	-	-	-	4,178
Salaries and benefits payable	8,980,151	40,794	-	-	9,020,945
Customer deposits	-	600,115	104,491	-	704,606
Unearned revenue	220,380	45,000	103,397	-	368,777
Current portion of notes payable	1,777	-	8,331,468	54,991	8,388,236
Current portion of lease liability	26,576	6,262	-	-	32,838
Current portion of subscriptions liability	155,025	-	-	-	155,025
Current portion of postemployment benefits payable	-	14,362	-	2,128	16,490
Retainage payable	-	50,000	-	-	50,000
Due to primary government	-	1,091,836	-	-	1,091,836
Total current liabilities	<u>11,965,235</u>	<u>4,759,128</u>	<u>8,673,991</u>	<u>119,377</u>	<u>25,517,731</u>
Noncurrent liabilities:					
Long-term debt and other liabilities	-	32,026,359	33,497,737	1,048,665	66,572,761
Lease liability	16,280	2,462	-	-	18,742
Subscriptions liability	181,581	-	-	-	181,581
OPEB liability	14,113,919	222,538	-	27,978	14,364,435
Net pension liability	112,715,000	982,703	-	258,458	113,956,161
Total noncurrent liabilities	<u>127,026,780</u>	<u>33,234,062</u>	<u>33,497,737</u>	<u>1,335,101</u>	<u>195,093,680</u>
Total liabilities	<u>138,992,015</u>	<u>37,993,190</u>	<u>42,171,728</u>	<u>1,454,478</u>	<u>220,611,411</u>
DEFERRED INFLOWS OF RESOURCES					
Future property tax revenue	12,258,312	-	-	-	12,258,312
OPEB related	52,852,543	79,809	-	11,638	52,943,990
Deferred lease revenue	-	-	26,383,703	-	26,383,703
Pension related	2,897,000	219,854	-	5,065	3,121,919
Total deferred inflows of resources	<u>68,007,855</u>	<u>299,663</u>	<u>26,383,703</u>	<u>16,703</u>	<u>94,707,924</u>
NET POSITION					
Net investment in capital assets	249,957,393	56,304,994	17,764,658	2,855,018	326,882,063
Restricted for:					
Capital projects	727,776	3,140,040	-	-	3,867,816
Other projects	9,688,361	-	-	-	9,688,361
Unrestricted	(55,290,094)	11,580,239	15,810,341	(147,029)	(28,046,543)
Total net position	<u>205,083,436</u>	<u>71,025,273</u>	<u>33,574,999</u>	<u>2,707,989</u>	<u>312,391,697</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating			Total Component Units		
		Charges for Services	Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	
Governmental activities:							
Auburn Board of Education							
Functions/Programs							
Instruction	69,454,318	1,379,850	49,668,400	99,222	(18,306,846)	-	(18,306,846)
Instructional support	23,845,644	840,227	14,395,836	122,176	(8,487,405)	-	(8,487,405)
Operation and maintenance	11,996,259	151,059	2,762,352	2,335,423	(6,747,425)	-	(6,747,425)
Auxiliary services							
Student transportation services	6,817,105	213,544	4,551,020	727,776	(1,324,765)	-	(1,324,765)
Food services	5,517,321	4,612,856	471,724	-	(432,741)	-	(432,741)
General administrative services	3,824,104	2,336	539,730	-	(3,282,038)	-	(3,282,038)
Other	1,534,794	843,885	526,684	-	(164,225)	-	(164,225)
Interest and fiscal charges	11,540	-	-	-	(11,540)	-	(11,540)
Total governmental activities	<u>123,001,085</u>	<u>8,043,757</u>	<u>72,915,746</u>	<u>3,284,597</u>	<u>(38,756,985)</u>	<u>-</u>	<u>(38,756,985)</u>
Business-type activities:							
Water Works Board	13,209,160	13,969,698	-	2,391,200	-	3,151,738	3,151,738
Industrial Development Board	4,769,291	2,274,438	-	247,376	-	(2,247,477)	(2,247,477)
Public Park & Recreation Board	1,183,105	329,972	-	-	-	(853,133)	(853,133)
Downtown Redevelopment Authority	19,879	-	-	-	-	(19,879)	(19,879)
Total business-type activities	<u>19,181,435</u>	<u>16,574,108</u>	<u>-</u>	<u>2,638,576</u>	<u>-</u>	<u>31,249</u>	<u>31,249</u>
Total component units	<u>142,182,520</u>	<u>24,617,865</u>	<u>72,915,746</u>	<u>5,923,173</u>	<u>(38,756,985)</u>	<u>31,249</u>	<u>(38,725,736)</u>

General revenues:

Taxes:						
Sales taxes				11,989,053	-	11,989,053
Property taxes				18,161,911	-	18,161,911
Alcoholic beverage taxes				631,535	-	631,535
Other taxes				57,398	-	57,398
Unrestricted appropriations from the City of Auburn				26,880,136	4,012,781	30,892,917
Grants and contributions not restricted				1,780	-	1,780
Interest and investment earnings				1,514,960	1,426,301	2,941,261
Net increase in fair value of investments				-	188,783	188,783
Lease interest received				-	1,421,501	1,421,501
Gain (loss) on disposal of assets				-	(1,798,931)	(1,798,931)
Rental income				-	120,000	120,000
Miscellaneous				1,284,368	683,703	1,968,071
Total general revenues				<u>60,521,141</u>	<u>6,054,138</u>	<u>66,575,279</u>
Change in net position				21,764,156	6,085,387	27,849,543
Net position - beginning				183,319,280	102,118,548	285,437,828
Prior period adjustment				-	(895,674)	(895,674)
Net position - beginning, as restated				<u>183,319,280</u>	<u>101,222,874</u>	<u>284,542,154</u>
Net position - ending				<u>205,083,436</u>	<u>107,308,261</u>	<u>312,391,697</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Major Business-type Component Units			Total
	Industrial		Nonmajor Business-type Component Units	
	Water Works Board	Development Board		
	\$	\$	\$	\$
Operating revenues				
Lease income	-	2,002,966	-	2,002,966
Short term and other lease payments	-	193,962	-	193,962
Non-lease component revenue	-	77,510	-	77,510
Water sales and service	13,969,698	-	-	13,969,698
Tennis center revenue	-	-	329,972	329,972
Miscellaneous	129,830	226,518	327,355	683,703
Total operating revenues	<u>14,099,528</u>	<u>2,500,956</u>	<u>657,327</u>	<u>17,257,811</u>
Operating expenses				
Water treatment and pumping expense	4,005,288	-	-	4,005,288
Water distribution expense	1,837,263	-	-	1,837,263
Meter reading expense	723,545	-	-	723,545
Operations administration expense	544,743	-	-	544,743
Utility billing office expense	1,338,222	-	-	1,338,222
General operations expense	874,185	-	-	874,185
Salaries and wages	-	-	364,323	364,323
Contract services	-	26,700	-	26,700
Employee benefits	-	-	109,482	109,482
Repairs and maintenance	-	384,965	133,888	518,853
Advertising	-	55,830	-	55,830
Utilities	-	125,279	143,505	268,784
Rentals and leasing	-	-	1,315	1,315
Insurance	-	-	7,307	7,307
Minor equipment and tools	-	-	30,136	30,136
Professional services	-	190,671	63,295	253,966
Office supplies	-	15,279	630	15,909
Agricultural and chemical supplies	-	-	1,140	1,140
Depreciation/amortization	2,914,937	1,259,650	328,059	4,502,646
Industrial recruitment	-	315,619	-	315,619
Industrial incentives granted	-	150,107	-	150,107
Travel and training	-	48,857	-	48,857
Special events	-	44,116	-	44,116
Workforce development	-	68,743	-	68,743
Miscellaneous	-	22,765	25	22,790
Total operating expenses	<u>12,238,183</u>	<u>2,708,581</u>	<u>1,183,105</u>	<u>16,129,869</u>
Operating income (loss)	<u>1,861,345</u>	<u>(207,625)</u>	<u>(525,778)</u>	<u>1,127,942</u>
Non-operating revenues (expenses)				
Interest and investment earnings	512,848	893,280	20,173	1,426,301
Lease interest received	-	1,421,501	-	1,421,501
Net increase in fair value of investments	188,783	-	-	188,783
Rental income	120,000	-	-	120,000
Appropriations from the City of Auburn	-	3,494,498	518,283	4,012,781
Amortization	(89,532)	-	-	(89,532)
Interest and fiscal charges	(881,445)	(2,060,710)	(19,879)	(2,962,034)
Gain/(loss) on disposal of assets	(5,341)	(1,781,849)	(11,741)	(1,798,931)
Total non-operating revenues (expenses)	<u>(154,687)</u>	<u>1,966,720</u>	<u>506,836</u>	<u>2,318,869</u>
Income (loss) before capital contributions	<u>1,706,658</u>	<u>1,759,095</u>	<u>(18,942)</u>	<u>3,446,811</u>
Capital contributions				
From other governments	-	247,376	-	247,376
From primary government	-	-	-	-
From developers	1,797,200	-	-	1,797,200
From access fees	594,000	-	-	594,000
Total capital contributions	<u>2,391,200</u>	<u>247,376</u>	<u>-</u>	<u>2,638,576</u>
Change in net position	<u>4,097,858</u>	<u>2,006,471</u>	<u>(18,942)</u>	<u>6,085,387</u>
Net position - beginning	66,612,638	32,778,979	2,726,931	102,118,548
Prior period adjustment	314,777	(1,210,451)	-	(895,674)
Net position - beginning, as restated	<u>66,927,415</u>	<u>31,568,528</u>	<u>2,726,931</u>	<u>101,222,874</u>
Net position - ending	<u>71,025,273</u>	<u>33,574,999</u>	<u>2,707,989</u>	<u>107,308,261</u>

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



City of Auburn

City of Auburn, Alabama
Guide to Notes to the Financial Statements
September 30, 2023

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Auburn was incorporated February 2, 1839. The City operates under the Council-Manager form of government and provides the following services: public safety (police, fire, and emergency communications), solid waste collection and recycling, recreation, library, planning and zoning, inspection services, public improvements, sanitary sewer, economic development, and general administrative services.

The accounting policies of the City of Auburn conform to generally accepted accounting principles in the United States of America (GAAP) applicable to municipal governments as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the most significant policies:

- A. Reporting Entity** - As required by generally accepted accounting principles, the financial statements present the City of Auburn (the primary government) and its component units. The component units include organizations that are financially accountable to the City's executive or legislative branches (the Mayor or the Council, respectively) and other organizations for which the nature and significance of their relationships with the primary government are such that their exclusion could cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the government-wide financial statements include the financial data of the City's six discretely presented component units. These organizations are legally separate from the City and are included in the reporting entity because the primary government is financially accountable for the component unit.

City of Auburn Board of Education (ABOE)

The City Council appoints all members of the ABOE. The City has assumed an obligation to provide financial support to the ABOE by consistently appropriating large amounts in excess of property taxes legally restricted for school purposes. Furthermore, the City has authority to levy taxes, a function which the ABOE cannot perform, and issue debt on behalf of the ABOE. The ABOE is presented as a governmental fund type or governmental-type activity.

Water Works Board of the City of Auburn (AWWB)

The City Council appoints all members of the AWWB. A financial benefit relationship exists between the City and the AWWB by virtue of the fact that the City is legally entitled to the AWWB's resources after the indebtedness is retired. In addition, the City and the AWWB are parties to an exchange of services agreement which provides that the City will supply management services to the AWWB. In exchange, the AWWB bills and collects service charges for the City's sewer and solid waste services. The AWWB is presented as a proprietary fund type or business-type activity.

City of Auburn Industrial Development Board (IDB)

The City Council appoints all members of the IDB and has charged the IDB with conducting the City's industrial development efforts on behalf of the City Council. The IDB acts as an extension of the City Council for achieving the Council's goals to enhance the City's tax base and to provide opportunities for full employment to its citizens. The City's day-to-day industrial development activities are conducted by its Economic Development Department, which is staffed by City employees. The Economic Development Department functions as liaison between the Council and the IDB.

Conveyances of any City-owned real properties to the IDB include legally binding restrictive covenants that prohibit the IDB from conveying any land held in the IDB's name without first obtaining the Council's consent in the form of a duly passed City Council resolution. These restrictive covenants are designed to give the City Council ultimate control over the types of businesses that locate in the City's industrial parks.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City is the IDB's primary source of operating funds, including funds for acquisition of real property. The City has responsibility for funding deficits and operating deficiencies of the IDB. The IDB is presented as a proprietary fund type or business-type activity.

City of Auburn Public Park and Recreation Board (PPRB)

In October of 1990, the Auburn City Council authorized the establishment of a park and recreation board, the PPRB, primarily for the purpose of advising the Council concerning proposed recreation projects and acquiring such recreation facilities as may be deemed to be in the public interest.

All three PPRB members are appointed by the City Council, which maintains a significant degree of control over the PPRB's officials. The City exercises total control over budgetary adoption requests and revisions and is responsible for funding deficits and operating deficiencies of the PPRB. The PPRB is a proprietary fund type or business-type activity.

Commercial Development Authority of the City of Auburn (CDA)

On August 12, 2004, the CDA was incorporated. The City Council appoints all members of the CDA and has charged the CDA with conducting the City's commercial development efforts on behalf of the City Council. The CDA acts as a financing conduit to facilitate the recruitment of commercial projects to the City. Daily commercial development activities are conducted by the City's Economic Development Department, and the Department acts as a liaison between the CDA and the City Council.

The City is the CDA's primary source of operating funds. The City is responsible for funding deficits and operating deficiencies of the CDA and City Council exercises significant influence over the CDA's actions. The CDA is presented as a proprietary fund type or business-type activity. The CDA had no activity for the year ending September 30, 2023, and no assets or liabilities as of September 30, 2023.

Auburn Downtown Redevelopment Authority (ADRA)

The ADRA was incorporated in February of 1985 and all members are appointed by the City Council. It was established in order to aid in the revitalization and improvement of the central downtown business district. The ADRA is charged with promoting the public good and general welfare, trade, commerce, industry, and employment opportunities, as well as creating a climate favorable to the location of new industry, trade and commerce, and the development of existing industry, trade, and commerce.

The City invested funds into the ADRA to facilitate the redevelopment of downtown property. The ADRA must repay the City, which indicates a financial benefit burden relationship, as the City is legally entitled to the ADRA's resources. The ADRA is presented as a proprietary fund type or business-type activity.

Complete financial statements of the individual component units can be obtained from the following locations or can be requested from the City's Finance Director. The PPRB, the CDA and the ADRA do not prepare separately issued financial statements.

City of Auburn Board of Education
855 East Samford Avenue
Auburn, Alabama 36830

Water Works Board of the City of Auburn
1501 West Samford Avenue
Auburn, Alabama 36832

City of Auburn Industrial Development Board
144 Tichenor Avenue
Auburn, Alabama 36830

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The following organizations are related organizations that are excluded from the reporting entity:

- Board of Zoning Adjustments
- Building Board of Adjustments
- Cemeteries Advisory Board
- Educational Building Authority
- Green Space Advisory Board
- Historic Preservation Commission
- Library Board
- Parks and Recreation Advisory Board
- Planning Commission
- Tree Commission

JOINT VENTURE

The City is a participant in one joint venture in which it retains an ongoing financial interest and an ongoing financial responsibility.

Pines Crossing Golf Course Venture

The City is a party to a joint venture agreement with the City of Opelika, Alabama, to own and operate Pines Crossing Golf Course. The joint venture agreement, dated October 1, 1976, required equal capital contributions from both cities and gave each city a 50% share in the venture's net profits and losses. The agreement also provides that each City has a responsibility for 50% of golf course debts. The City of Auburn's initial capital contribution of \$589,200 was used to purchase the land and buildings, which are titled to the two cities as tenants in common. In July 2005, the clubhouse was destroyed by fire. Insurance proceeds were received, and in fiscal year 2006, the two cities appropriated the insurance proceeds to the Indian Pines Public Park Authority (the Authority) to assist in the construction of a new clubhouse. As of September 30, 2023, the City's remaining net investment in Pines Crossing Golf Course is \$472,342, which represents the initial cost of the land capitalized by the City.

The joint venture agreement provided that management decisions shall be made by mutual agreement of the two cities. The cities leased Pines Crossing Golf Course to the Indian Pines Public Park Authority, a jointly governed organization (see discussion below). The lease expired September 30, 1979, but, by a provision in the lease, the Authority continues to operate the golf course on a month-to-month basis with the lease terms continuing in force.

Complete financial statements of the Indian Pines Public Park Authority, Inc. can be obtained from:

Pines Crossing Golf Course
900 Country Club Lane
Auburn, Alabama 36830

JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with other governments, has created the following organizations that are excluded from the City's reporting entity. These organizations are not joint ventures because the City does not retain an ongoing financial interest or an ongoing financial responsibility.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Indian Pines Public Park Authority

The Authority is a corporation created to operate Pines Crossing Golf Course which is owned under a joint venture agreement between the City of Auburn and the City of Opelika (see above). The Authority has a five-member Board of Directors; two each are selected by the City of Auburn and the City of Opelika and the fifth member is selected by the four members appointed by the cities. A lease agreement between the Authority and the two cities authorizes the Authority to operate and maintain the golf course. The City typically does not provide any funding to the Indian Pines Public Park Authority; however, there have been appropriations in the past. During 2019 and 2020, the City approved funding for the demolition of old tennis courts and the construction of a new skate park, totaling approximately \$126,000 and \$281,000, respectively. During 2023 the City appropriated \$1,388,889 to the Authority for reconfiguration of Pines Crossing Golf Course, which represents the value of 9.7 acres of land the City donated to the Authority who then sold the land to the Auburn University Airport. Upon completion of the golf course reconfiguration, the City's appropriation for the project will be \$1,151,000 payable to the Authority in five equal annual installments.

Summary financial information for the Indian Pines Public Park Authority as of and for the year ended September 30, 2023, is as follows:

Total assets and deferred outflows	
of resources	\$ 10,405,597
Total liabilities and deferred inflows	
of resources	(3,493,322)
Total net position	<u>\$ 6,912,275</u>
Total operating revenues	\$ 283,811
Total operating expenses	(1,193,078)
Other revenues	5,149,936
Other expenses	(20,891)
Net increase in net position	<u>\$ 4,219,778</u>

Lee-Russell Council of Governments

The Lee-Russell Council of Governments (LRCOG) provides transportation services, governmental planning services and services to the aging in Lee and Russell counties, which includes the City of Auburn.

Two of the ten members of the Board of Directors of the Council represent the City of Auburn. Generally, the Mayor and a City Council member appointed by the City Council are Auburn's representatives on the LRCOG. Other member governing bodies, each having two representatives on the Board, are the City of Opelika, Lee County, the City of Phenix City, and Russell County.

The LRCOG's activities are funded in part by appropriations from its member governmental units. The Auburn City Council controls the amount of Auburn's appropriation to the LRCOG but cannot exert significant influence over the LRCOG's financial activities, including approval of the budget, due to a lack of majority representation on the Board of Directors.

While the City of Auburn does not have explicit responsibility for any of the LRCOG's debts, there could be a perception that the City would be morally responsible for 20% of any such debts. There are no special financing arrangements between the City and the LRCOG.

The Metropolitan Planning Organization (MPO) is part of the LRCOG and includes a policy board, citizen advisory committee and a technical advisory committee. The governing bodies who appoint members to the LRCOG also appoint members to the various MPO committees.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

East Alabama Mental Health Center

The East Alabama Mental Health Center Board consists of 33 members, of which three are appointed by the City. The City provides an annual appropriation to the Board; however, the East Alabama Mental Health Center is not dependent on the City's funding.

Lee County Youth Development Center

The City appoints four of the twelve board members of the Lee County Youth Development Center (the Center). The City provides an annual appropriation to the Center; however, the Center is not dependent on the City's funding.

East Alabama Health

The East Alabama Health Board consists of nine members, all appointed by the Lee County Commission. Three of these appointments are made based on the recommendation of the City Council. The City provides an annual appropriation to East Alabama Health for ambulance service; however, East Alabama Health is not dependent on the City's funding.

Auburn-Opelika Tourism Bureau

The Mayor appoints one of the five board members of the Auburn-Opelika Tourism Bureau (A-O Tourism). The City appropriates 1/7th of lodging tax collections to A-O Tourism on a monthly basis; however, A-O Tourism is not dependent on the City's funding.

- B. Basis of Presentation** - The financial transactions of the City are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for or reported in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service and capital projects.

Debt Service Funds - The Debt Service Funds are used to account for all financial resources that are restricted, committed, or assigned for principal and interest.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned for capital projects.

PROPRIETARY FUNDS

The Proprietary Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activity. The principal operating revenues for the Sewer Fund, the Solid Waste Management Fund, and discretely presented business-type component units are charges to customers for sales and services. Operating expenses include cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MAJOR FUNDS

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund (See note above).

The Special School Tax Fund, a special revenue fund, accounts for five mill ad valorem tax revenues used to pay principal and interest on bonds issued for school purposes and eleven mill ad valorem tax revenues used in furtherance of education.

The Coronavirus Local Fiscal Recovery Fund, a special revenue fund, accounts for American Rescue Plan federal funding provided through the U.S. Department of Treasury to respond to the COVID-19 public health emergency and its economic impacts.

The 2022 Capital Projects Fund, a capital projects fund, accounts for funds received from the issuance of long-term debt to be expended on various capital projects approved by the City Council.

The 2023 Capital Projects Fund, a capital projects fund, accounts for funds received from the issuance of long-term debt to be expended on various capital projects approved by the City Council.

The City reports the following major proprietary funds:

The Sewer Fund, a proprietary fund, accounts for revenues and costs related to the provision of sewer services.

The Solid Waste Management Fund, a proprietary fund, accounts for revenues and costs related to the provision of solid waste services.

- C. Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements, and the proprietary and component unit proprietary fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

Accrual Basis - Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property taxes, sales taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants, and capital grants. The program revenues must be directly associated with the function or a business-type activity.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Charges for services include revenues from fines and forfeitures, licenses and permit fees, user fees, and special assessment taxes. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Modified Accrual Basis - All the governmental funds of the primary government are accounted for using the modified accrual basis of accounting. Their revenues are recorded when they are susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City does not accrue property taxes because those revenues are budgeted to finance the fiscal year in which they are scheduled to be received. Each fiscal year's budget and actual financial statements include twelve months' property tax revenue.

The City defines the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days. The specific types of major revenue sources that are susceptible to accrual include sales and use taxes, occupational license fees, lodging taxes, rental and leasing taxes, gasoline taxes and fines. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, with the following exceptions that are in conformity with generally accepted accounting principles: general long-term obligations' principal and interest are reported only when due; inventory costs are reported in the period consumed, rather than in the period purchased; and costs of accumulated unpaid annual and sick leave are reported in the period due and payable rather than in the period earned by employees.

Fiduciary fund financial statements are presented on the accrual basis of accounting and are presented separately from the government-wide and the governmental fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the current period." The details of this \$336,402,697 difference are as follows:

Bonds and warrants payable	\$ 270,612,803
Less: Deferred amount on refunding	(1,134,488)
Add: Issuance premium	17,923,602
Leases payable	191,526
Subscriptions payable	1,340,196
Notes payable	1,711,000
Compensated absences	2,373,966
Claims and judgments	1,730,962
Landfill closure and post-closure care	84,000
Other postemployment benefits	4,837,127
Net pension liability	60,851,602
Less: Deferred outflow pension related	(23,665,052)
Less: Deferred outflow OPEB related	(1,803,990)
Add: Deferred inflow pension related	(89,596)
Add: Deferred inflow OPEB related	1,439,039
	<hr/>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 336,402,697</u>

2. Explanation of certain differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "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 and amortization expense in the current period." The details of this \$45,930,682 difference are as follows:

Capital outlay	\$ 56,985,952
Depreciation expense	(10,250,397)
Amortization expense	<u>(804,873)</u>
	<hr/>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 45,930,682</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position." The details of this \$6,725,010 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources:

Donations from outside parties	\$ 6,835,099
--------------------------------	--------------

In the Statement of Activities, only the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed of:

Remaining cost basis of disposed assets	<u>(110,089)</u>
---	------------------

Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*

	<u>\$ 6,725,010</u>
--	---------------------

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond issue insurance, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$11,643,649 difference are as follows:

Debt issued or incurred:

Leases payable	\$ (30,301)
Subscriptions payable	(2,142,715)
Principal repayments on bonds, warrants and notes	12,935,651
Principal repayments on leases payable	78,499
Principal repayments on subscriptions payable	<u>802,515</u>

Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*

	<u>\$ 11,643,649</u>
--	----------------------

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Another element of that reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$3,939,955 difference are as follows:

Compensated absences	\$ 219,182
Accrued interest	(92,437)
Claims and judgments	(174,961)
Landfill closure and post-closure care	7,000
Other post employment benefits	(12,714)
Net pension liability	(4,733,429)
Amortization of deferred amount on refunding	(150,555)
Amortization of bond premiums	948,315
Amortization of prepaid expenses	49,644
	<hr/>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (3,939,955)</u>

E. Budgets and Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget (operating and capital) prior to the beginning of each biennial period. The proposed budget is for two one-year periods, each beginning on October 1 and ending on the following September 30.
2. Prior to September 30, the budget is legally enacted through passage of an ordinance. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Annual budgets were legally adopted for the 2023 fiscal year for the General Fund, Seven-Cent Gas Tax Fund, Four and Five-Cent Gas Tax Fund, Ten-Cent Gas Tax Fund, Special School Tax Fund, Municipal Court Judicial Administration Fund, Public Safety Substance Abuse Fund, Coronavirus Local Fiscal Recovery Fund, Special 5-Mill Tax Debt Service Fund, Sewer Fund, and the Solid Waste Management Fund.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Each department head is responsible to the City Manager for the department's overall budgetary performance. Budgeted amounts may be transferred among line items within the department; however, any increase in total departmental appropriations must be justified to the City Manager and approved by the City Council. The legal level of budgetary control is the individual department.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were material in relation to the original appropriations. All budget amounts presented in the accompanying supplemental information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).
7. All budgetary appropriations expire at fiscal year-end. Encumbrances of departments that did not exceed their departmental budgets may be added to the subsequent year's appropriations at the time of the mid-biennium budget review, if the City Manager so recommends and if the Council approves.
8. Excess of expenditures over appropriations: In the General Fund, employee services expenditures of \$10,734,536 exceeded appropriations of \$10,319,777 and non-departmental expenditures of \$3,718,814 exceeded appropriations of \$3,176,120.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- F. **Cash and Cash Equivalents** - Cash and cash equivalents of the City of Auburn primary government include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

Cash and cash equivalents of the Board of Education include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents of the Water Works Board include demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased.

Cash and cash equivalents of the Industrial Development Board include cash on hand, demand deposits and all highly liquid investments with an original maturity of three months or less when purchased. Also included is restricted cash.

Cash and cash equivalents of the Public Park and Recreation Board include demand deposits.

- G. **Deposits and Investments** - Deposits and investments of the City of Auburn and its component units are stated at fair value, except for nonnegotiable certificates of deposit with redemption terms that do not consider market rates and money market investments which include short-term, highly liquid debt instruments, which are reported at cost or amortized cost (See Note 3).

State statutes authorize the City and its component units to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; U.S. dollar denominated deposit accounts and certificates of deposit; pre-funded public obligations as defined by state law; and interests in any common trust fund or other collective investment bank, trust company or savings and loan association. The City of Auburn has invested in interest-bearing demand deposits, certificates of deposit and U.S. Treasury and federal agency securities. The Board of Education's investments include federally sponsored debt securities, U.S. Treasury notes and donated equity securities carried at fair market value. The Water Works Board is invested in interest-bearing demand deposits and a certificate of deposit. The Industrial Development Board has invested in certificates of deposit and interest-bearing demand deposits (see Note 3).

- H. **Restricted Assets** - Certain debt proceeds of the City's component units, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants and they are maintained in separate bank accounts. Also, funds from access fees paid by developers are restricted for capital improvement projects.
- I. **Accounts Receivable** - Revenue receivables are reflected net of an allowance for doubtful accounts. For the General Fund, Sewer Fund, Solid Waste Management Fund and Water Works Board component unit, the amount of the allowance is equal to accounts receivable in excess of 90 days past due.
- J. **Inventories** - Inventories of the City of Auburn primary government are valued at first-in/first-out cost and consist of gasoline, parts, and supplies held for consumption. These inventories are recorded as an asset in the General Fund, Sewer Fund and Solid Waste Management Fund. The cost of inventories is recorded as an expenditure when the items are consumed.

Inventories of the Board of Education are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories of the Water Works Board are valued at cost and consists of expendable supplies held for future consumption or capitalization.

- K. **Prepaid Items** - Certain payments to vendors for services that will benefit periods beyond September 30, 2023 are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are reported as expenditures during the period benefited by the prepayment (consumption method). Prepaids of the City of Auburn primary government consist of prepaid insurance policy premiums and prepayments on large capital asset purchases required to start the manufacturing process.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- L. **Capital Assets** - Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for software that has a capitalization threshold of \$100,000) and an estimated useful life in excess of two years. Such assets are recorded at actual cost (or estimated historical cost if actual cost is not available) if purchased or constructed. Easements are valued at 50% of the average value for commercial and residential property within the City as obtained from the Lee County Appraisers Office on an annual basis, multiplied by the square footage of the easement. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	25-50
Buildings and improvements	10-50
Communication equipment	5-10
Office equipment	5-10
Heavy equipment	3-10
Vehicles	3-10
Small tools and equipment	3-10
Software	3

M. **Leases**

CITY OF AUBURN PRIMARY GOVERNMENT

The City is a lessee for noncancellable leases of office equipment and office space. The City recognizes lease liabilities and intangible right-to-use lease assets on the Statement of Net Position. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines 1) the discount rate it uses to discount the expected lease payments to present value, 2) lease term, and 3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise, if applicable.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

COMPONENT UNITS

The Board of Education and the Water Works Board follows the same lease policies as the City.

Industrial Development Board - The IDB is a lessor for noncancelable leases of industrial space in facilities owned by the Board. The Board recognizes a lease receivable and a deferred inflow of resources in the statement of net position. The Board recognizes lease receivables with an initial, individual value of \$5,000 or more. At the commencement of a lease, the Board initially measures the lease receivable and deferred inflow of resources at the present value of lease payments expected to be received during the lease term. The Board monitors changes in circumstances that would require a remeasurement of a lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

N. Subscription-Based Information Technology Arrangements (SBITAs)

CITY OF AUBURN PRIMARY GOVERNMENT

The City has entered into SBITAs with software and technology providers. The City recognizes subscription liabilities and intangible right-to-use subscription assets on the Statement of Net Position. The City recognizes subscription liabilities with an initial, individual value of \$100,000 or more.

At the commencement of a subscription term, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the City determines 1) the discount rate it uses to discount the expected subscription payments to present value, 2) subscription term, and 3) subscription payments. The City uses the interest rate charged by the software or technology provider as the discount rate. When the interest rate charged by the software or technology provider is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise, if applicable.

The City monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the Statement of Net Position.

COMPONENT UNITS

The Board of Education follows the same subscription policies as the City except the Board of Education recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

The Water Works Board and the Industrial Development Board follow the same subscription policies as the City. Neither component unit had any SBITAs that met the recognition threshold for 2023.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Risk Financing

CITY OF AUBURN PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions, and torts related to municipal operations. These risks are covered by commercial insurance purchased from independent third parties or the City's Liability Risk Retention self-insurance fund. These risks are accounted for in the City's General Fund. The total liability for unpaid claims within the coverage deductible consists of claims reported at the balance sheet date. These estimates are based primarily upon historical trends. There were only minimal changes to insurance coverage from coverage in the prior year. Also, no settlements have exceeded insurance coverage in the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims in the period since the purchase of insurance have not exceeded the commercial insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

The City has chosen to retain the risk of loss for risks associated with its employees' health insurance plan. Premiums are charged to other funds and component units that account for employees eligible for coverage by the plan. Total premiums allocated to the participating entities are calculated using medical cost trends and claims experience. Employees may also be charged for additional benefits through supplemental insurance programs. Medical claims exceeding \$200,000 per covered individual are covered through a private insurance carrier. Liabilities associated with the plan are recorded in the City's Employee Benefit Self-Insurance fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

The City is a self-insurer under the Alabama Workers' Compensation Law for its workers' compensation exposure. Workers' compensation claims exceeding \$750,000 per injury in an accident period are covered through a private insurance carrier. Stop loss coverage is purchased through the General Fund. Liabilities include an amount for claims within the coverage deductible that have been incurred but not reported and are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

COMPONENT UNITS

Board of Education - The ABOE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The ABOE has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The ABOE pays an annual premium based on the amount of coverage. The SIF is self-insured up to \$10 million per nonwind-related loss occurrence and \$25 million per wind-related loss occurrence. The SIF purchases commercial insurance for claims in excess of these deductibles, covering losses up to \$2 billion. Errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The ABOE purchases commercial insurance for fidelity bonds and its transportation fleet. Settled claims in the past three years have not exceeded the commercial insurance coverage. Also, there have been no significant reductions in insurance coverage from the prior year.

Employee health insurance is provided through the Public Education Employees' Health Insurance Plan (PEEHIP), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The PEEHIP was established to provide a uniform plan of health insurance for active and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The ABOE's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining balance.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The ABOE does not have insurance coverage for job-related injuries. ABOE employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975, Section 16-1-18.1(d)*. Any unreimbursed medical expenses and costs that the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment. The State Board of Adjustment is a state agency with which employees can file claims against the ABOE to collect reimbursement for damages when all other means have been exhausted. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from the state appropriated funds at no cost to the ABOE.

Water Works Board - For risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and general liability torts; the AWWB has purchased commercial insurance from independent third parties. There were only minimal changes to insurance coverage from coverage in the prior year, and no settlements have exceeded insurance coverage in the past three fiscal years.

The AWWB employees are covered under the City's health insurance plan. Premiums are charged to the AWWB and are calculated using trends in actual claims experience, along with overall program costs, including third-party administration and reinsurance. Employees may also be charged for additional benefits through supplemental insurance programs. Medical claims exceeding \$200,000 per covered individual, per year, are covered through a private insurance carrier.

To insure against risk of loss relating to workers' compensation claims, the AWWB has purchased workers' compensation insurance from independent third parties.

Industrial Development Board - The IDB is exposed to various risks of loss related to damage to and destruction of assets and errors and omissions. The IDB is a component unit of the City of Auburn and is covered by commercial insurance purchased by the City from independent third parties to cover those types of risks.

There has been no significant reduction in insurance coverage from coverage in the prior year. Also, for the past three fiscal years, no settlements have exceeded insurance coverage.

The City purchases commercial insurance from independent third parties to cover claims arising from general liability torts. The IDB is covered by this insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The IDB had no liability for unpaid claims at September 30, 2023.

Public Park and Recreation Board - The PPRB is exposed to various risks of loss related to errors and omissions. The PPRB is a component unit of the City of Auburn and is covered by commercial insurance purchased by the City from independent third parties to cover those types of risks.

For risk of loss from claims arising from torts (general liability), the PPRB is covered by the City's commercial insurance purchased from third parties. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The PPRB had no liability for unpaid claims at September 30, 2023. Settled claims in the period since the purchase of insurance have not exceeded the insurance coverage, and there have been no significant reductions in insurance coverage from coverage in the prior year.

P. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs related to prepaid insurance, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at issuance, except for those related to prepaid insurance, which are recorded as prepaids in the Statement of Net Position.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Compensated Absences

CITY OF AUBURN PRIMARY GOVERNMENT

Effective September 23, 2003, City employees, with the exception of unclassified employees, may accumulate up to twenty days of annual leave. Unclassified employees may accumulate an unlimited number of annual leave days. Annual leave is earned at the rate of one day per month and is paid upon separation from City service. Employees with ten years' service receive an additional three days annual leave on their anniversary date and employees with fifteen years' service receive an additional five days annual leave on their anniversary date. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide statements as well as the applicable business-type funds.

City employees may accumulate an unlimited number of sick leave days. Sick leave is earned at the rate of one day per month or in proportion to the number of hours they work per year, with 8 hours/2080 hours being the basis. Effective April 5, 1994, all new employees may, upon retirement, apply their entire accrued sick leave balance to retirement service credit with the Retirement Systems of Alabama. Except for firefighters, employees hired prior to that date may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their accumulated sick leave. Firefighters hired prior to February 3, 1989, may, upon retirement, elect to apply their entire balance to retirement service credit or to be paid for one-half of their sick leave earned during the first fifteen years of service plus all of their sick leave earned after fifteen years. The City estimates its accrued sick leave liability using the vesting method, whereby the estimated liability is based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

COMPONENT UNITS

Board of Education – Non-tenured certified and support personnel are provided two state days and one local personal leave day per year and tenured personnel are provided two state days and three local personal leave days per year. All personnel may choose to convert personal leave days to sick leave days at the end of the school year. Only certified employees may choose to be paid, at the ABOE's substitute rate, for up to two state days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Professional, clerical and office personnel with twelve (12) month positions earn ten (10) days of vacation per year. Because no extra compensation in lieu of vacation is allowed and terminal leave cannot exceed the employee's contract, no liability is recorded on the financial statements.

Certified and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may convert their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the ABOE. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on the financial statements.

Water Works Board - The AWWB allows employees to accumulate annual and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated annual leave hours at current wage rates. Upon retirement with at least ten years of service, an employee can receive payment of one-half of accumulated sick leave hours if hired before April 5, 1994. All employees may elect to apply unused accumulated sick leave hours toward their retirement.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- R. Postretirement Benefits** - Upon retirement, retired employees of the City of Auburn may elect to continue their group health care benefits. The entire cost of the group health insurance premiums must be borne by the retiree. No life insurance benefits are provided to retirees. Specific information related to the City's postemployment benefits plan is included in Note 14.
- S. Pensions** - The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.
- T. Fund Balance** - The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Nonspendable fund balance - amounts that are not in spendable form (such as inventory or prepaids) or are required to be maintained intact.
 - Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
 - Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution, which are equally binding. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund.
 - Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has by resolution authorized the Finance Director to assign fund balance. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).
 - Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

The City Council has officially adopted a fund balance policy of maintaining a net ending fund balance in the General Fund that is equal to or greater than 6% of total expenditures and other financing sources. This policy has been informally updated, with a goal of maintaining a net ending fund balance in the General fund that is equal to or greater than 25% of total expenditures and other financing sources.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

U. **Net Position** - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets - represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. For 2023, the deferred amount on refunding of governmental activities is not included in the calculation of net investment in capital assets since it is not attributable to capital asset related debt; however, the deferred amount on refunding of business-type activities is included in the calculation of net investment in capital assets.
- Restricted net position - represents liquid assets which have third party (statutory, bond covenant or granting agency) limitations on their use. Certain enterprise funds and component units have assets that are restricted for construction that is being funded with impact fees or long-term debt; therefore, there are no net restricted assets for these amounts. The City would typically use restricted net position first as appropriate opportunities arise but reserves the right to selectively defer the use for a future project or other capital outlay.
- Unrestricted net position - represents unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

V. **Interfund Transactions** - Interfund transactions are either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within governmental activities or within business-type activities are eliminated upon consolidation in the government-wide statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Three types of interfund transactions may be accounted for in the affected fund's statements.

1. Interfund receivables and payables - consist of temporary loans between funds which are expected to be repaid within one year. These short-term interfund loans are captioned "Due from other funds" and "Due to other funds" in the various funds' balance sheets. See Note 19.
2. Interfund advances - consist of longer-term loans between funds, which are not expected to be repaid within one year. These longer term interfund loans are captioned "Advances to other funds" and "Advances from other funds" in the various funds' balance sheets. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources. There were no interfund advances outstanding at year end.
3. Interfund transfers - consist of routine, recurring transfers between funds, other than interfund loans or advances, fund reimbursements or payments between the City and component units. Interfund transfers are accounted for separately from fund revenues and expenses. See Note 20.

Resource flows (except those that affect the Statement of Net Position/Balance Sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Resource flows between the primary government and blended component units are classified as internal activity in the financial statements. Payments to component units are primarily subsidized funding for debt service payments and other recurring operating expenses incurred by the component units.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- W. Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- X. Recently Implemented Accounting Pronouncements** - GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City adopted the new standard effective October 1, 2022; however, implementation did not materially affect the City's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The City adopted this new standard effective October 1, 2022; however, implementation did not materially affect the City's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset), and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City adopted the new standard effective October 1, 2022.

NOTE 2. DEPOSITS IN FINANCIAL INSTITUTIONS

As of September 30, 2023, all deposits of the City of Auburn primary government (except for its fiduciary funds), the Auburn Board of Education, the Water Works Board, the Industrial Development Board, and the Public Park and Recreation Board are held in a certified qualified public depository, and as such, are deemed fully insured. As of September 30, 2023, the Commercial Development Authority and the Auburn Downtown Redevelopment Authority did not have any deposits.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS

Investments of the City consist of certificates of deposit, U.S. Treasury and federal agency securities, and other investments. The City's deposits are held by a certified qualified public depository under the SAFE program, therefore its deposits are not subject to "custodial credit risk".

A summary of the City's certificates of deposit and investments held as of September 30, 2023, is as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
<u>Governmental Activities</u>			
Certificates of deposit			
General Fund	\$ 9,878,525	\$ 9,878,525	2024
Special School Tax Fund	3,786,952	3,786,952	2024
Debt Service Fund	757,562	757,562	2024
Total governmental activities	<u>14,423,039</u>	<u>14,423,039</u>	
Business Type Activities			
Sewer Fund	1,016,996	1,016,996	2024
Total certificates of deposit	<u>\$ 15,440,035</u>	<u>\$ 15,440,035</u>	
Investments			
U.S. Treasury and federal agency securities			
General Fund	\$ 50,642,048	\$ 50,642,048	2024-2027
Special School Tax Fund	31,980,213	31,980,213	2024-2027
Federal Grant Loan Repayment Fund	1,348,082	1,348,082	2023
Special 5-Mill Tax Fund	5,259,709	5,259,709	2024-2027
Sewer Fund	10,079,987	10,079,987	2024-2027
Limited Obligation Revenue Bond	1,103,656	1,103,656	2035
Total investments	<u>\$ 100,413,695</u>	<u>\$ 100,413,695</u>	

During fiscal year 2015 the City invested \$1,450,000 into the Auburn Downtown Redevelopment Authority (ADRA) to facilitate the redevelopment of downtown property. The City recognized an investment that will be reduced as payments of \$6,126 are received from ADRA on a monthly basis that commenced on December 1, 2015 and will continue through October 1, 2035 at an interest rate of 2.50% per annum. On April 1, 2020, the City agreed to defer nine months of payments through December 2020 totaling \$55,135, and added it to the final balloon payment due October 1, 2035. The final balloon payment is \$355,135 and bears no interest. The balance of the City's investment at September 30, 2023 was \$1,103,656.

The fair value measurements listed in the table above are based upon Level 1 inputs per GASB Statement No. 72, which are defined as quoted prices in active markets for identical assets or liabilities that a government can access at the measurement date.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

COMPONENT UNITS

Board of Education

Investments of the ABOE consist of federally sponsored debt securities, U.S. Treasury notes and donated equity securities carried at fair market value. The fair market value of the investments is based upon Level 1 inputs per GASB Statement No. 72, which are defined as quoted prices in active markets for identical assets or liabilities that a government can access at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

A summary of the ABOE's investments as of September 30, 2023, is as follows:

	Carrying Value	Fair Value	Maturities
Federal National Mortgage Association	\$ 481,971	\$ 481,971	2025
U.S. Treasury Note	15,333,470	15,333,470	2023-2026
Total investments	\$ 15,815,441	\$ 15,815,441	

At September 30, 2023, the Board of Education's restricted cash was composed of the following, all of which are insured through the SAFE Program:

	Carrying Value	Fair Value
Cash - General Fund		
Educational Trust Fund		
Advancement & Technology Fund	\$ 4,011,568	\$ 4,011,568
Early Childhood	34,747	34,747
Prefund CIS Student Materials	164,409	164,409
Gifted Education	2,943	2,943
Penny Trust Fund	1,476	1,476
College and Career Readiness	120,000	120,000
School Safety Grants	523,223	523,223
Robotics Grant Program	4,424	4,424
Cash - Other Governmental Funds		
Child Nutrition Program	4,108,130	4,108,130
Dental Clinic	114,093	114,093
E-rate	9,988	9,988
Transportation - Fleet	727,776	727,776
	\$ 9,822,777	\$ 9,822,777

Interest Rate Risk – The ABOE does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Water Works Board

At September 30, 2023, the Water Board's restricted cash and cash equivalents were comprised of the following:

<u>Restricted cash (access fees)</u>	
Cash	\$ 1,003,178
Government Money Market	2,136,862
Total restricted cash	\$ 3,140,040

Interest Rate Risk – The investment policy of the AWWB does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS - CONTINUED

Industrial Development Board

At September 30, 2023, the Industrial Development Board's investments were comprised of the following:

<u>Restricted cash and investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash (SAFE deposit)		
Restricted for capital projects	\$ 6,812	\$ 6,812

The restricted cash is held by a certified qualified public depository under the SAFE program. Cash restricted for capital projects is restricted to acquisition of equipment and payment of construction costs.

<u>Unrestricted investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Certificates of deposit		
AuburnBank, 3.94%, maturity date April 12, 2024	\$ 100,000	\$ 100,000
River Bank & Trust, 4.00%, maturity date April 14, 2024	102,037	102,037
	<u>\$ 202,037</u>	<u>\$ 202,037</u>

The above certificates of deposit are held in a certified qualified public depository and are entirely insured.

Interest Rate Risk – The IDB does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4. ACCOUNTS RECEIVABLE

Receivables as of year-end for the government's individual major funds and aggregate nonmajor funds and component units, including applicable allowances for uncollectible accounts are as follows:

	General Fund	Special School Tax Fund	CV Local Fiscal Recovery Fund	2022 Capital Projects Fund	Nonmajor Governmental Funds	Sewer Fund	Solid Waste Fund	Component Units	Total
Receivables:									
Revenues receivable	\$ 16,864,310	\$ 135,606	\$ -	\$ 37,819	\$ 475,438	\$ 1,654,033	\$ 733,946	\$ 2,022,924	\$ 21,924,076
Grants receivable	-	-	-	-	393,826	13,089	-	-	406,915
Receivable from other governmental units	1,389,365	-	-	-	-	-	-	-	1,389,365
Other receivables	<u>892,678</u>	<u>175,465</u>	<u>45,815</u>	<u>9,039</u>	<u>282,280</u>	<u>68,445</u>	<u>50</u>	<u>379,049</u>	<u>1,852,821</u>
Gross receivables	19,146,353	311,071	45,815	46,858	1,151,544	1,735,567	733,996	2,401,973	25,573,177
Less: allowance for uncollectibles	<u>(4,768,360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,535)</u>	<u>(153,191)</u>	<u>(78,139)</u>	<u>(151,325)</u>	<u>(5,440,550)</u>
Net receivables	<u>\$ 14,377,993</u>	<u>\$ 311,071</u>	<u>\$ 45,815</u>	<u>\$ 46,858</u>	<u>\$ 862,009</u>	<u>\$ 1,582,376</u>	<u>\$ 655,857</u>	<u>\$ 2,250,648</u>	<u>\$ 20,132,627</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 5. MORTGAGES AND NOTES RECEIVABLE

For information regarding mortgages receivable of the Federal Grant Loan Repayment Fund, see Note 10.

NOTE 6. PROPERTY FOR RESALE

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2003, the City purchased seven outparcels of land for future mall expansion totaling \$4,131,127. One of the lots has been leased to Lee County for \$1 per year for 10 years beginning May 2007. The County extended the lease for additional five-year terms in May 2017 and May 2022 as allowed under the original lease. The City anticipates extending the lease with the County in May 2027. The County constructed the satellite office of the Lee County Courthouse on this site.

COMPONENT UNITS

Industrial Development Board

The following is a schedule of changes in property for resale for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Reclasi- fications	Disposals	Balance 9/30/2023
Land and buildings	\$ 3,795,420	\$ 4,114,599	\$ 539,150	\$ (357,859)	\$ 8,091,310
Improvements in progress	5,036,561	109,597	(106,633)	(997,082)	4,042,443
Total property held for resale	\$ 8,831,981	\$ 4,224,196	\$ 432,517	\$(1,354,941)	\$ 12,133,753

NOTE 7. PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1 and are due and payable between October 1 and December 31. The County bills and collects the taxes and remits them semimonthly to the City of Auburn. The City currently levies taxes of \$2.60 per \$100 assessed valuation for governmental purposes - \$.50 for general governmental services, \$.50 for payment of principal and interest on outstanding bonds of the municipality, \$.50 for school purposes and \$1.10 for the support and furtherance of education. The tax rates are applied to 10% of the appraised value of residential property, also called assessed value. The tax rates are also applied to commercial property at 20%, utility property at 30% and vehicles at 15%. A description of property class groups is included in the chart below. Property is assessed based on these classifications.

Class	Description	Assessment Percent
I	All property of utilities used in the business of such utilities	30%
II	All property not otherwise classified	20%
III	All agricultural, forest, and single family, owner occupied residential property, including owner occupied residential manufactured homes located on land owned by the manufactured home owner, and historic buildings and sites	10%
IV	All private passenger automobiles and motor trucks of the type commonly known as "pickups" or "pickup trucks" owned and operated by an individual for personal or private use and not for hire, rent, or compensation	15%

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8. CAPITAL ASSETS

CITY OF AUBURN PRIMARY GOVERNMENT

Capital asset activity for the City's governmental activities for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 28,764,730	\$ 735,546	\$ (30,958)	\$ 29,469,318
Construction in progress	31,229,313	51,167,536	(50,241,477)	32,155,372
Total capital assets, not being depreciated	59,994,043	51,903,082	(50,272,435)	61,624,690
Capital assets, being depreciated/amortized:				
Buildings and improvements	95,798,390	43,793,269	(54,431)	139,537,228
Heavy equipment	4,149,553	574,705	(41,552)	4,682,706
Office equipment	7,976,955	355,561	(160,337)	8,172,179
Small tools and equipment	2,439,321	890,465	(71,784)	3,258,002
Vehicles	13,150,786	861,262	(244,373)	13,767,675
Infrastructure	276,409,975	13,402,584	(37,824)	289,774,735
Right-to-use leased assets	289,279	30,301	-	319,580
Right-to-use subscription assets	-	2,142,715	-	2,142,715
Total capital assets, being depreciated/amortized	400,214,259	62,050,862	(610,301)	461,654,820
Less accumulated depreciation/amortization for:				
Buildings and improvements	(25,017,255)	(2,705,380)	27,583	(27,695,052)
Heavy equipment	(2,783,944)	(307,246)	41,553	(3,049,637)
Office equipment	(5,213,310)	(803,018)	150,606	(5,865,722)
Small tools and equipment	(1,890,638)	(338,613)	62,158	(2,167,093)
Vehicles	(9,913,362)	(974,552)	243,483	(10,644,431)
Infrastructure	(92,587,832)	(5,121,585)	5,786	(97,703,631)
Right-to-use leased assets	(48,367)	(82,292)	-	(130,659)
Right-to-use subscription assets	-	(722,582)	-	(722,582)
Total accumulated depreciation/amortization	(137,454,708)	(11,055,268)	531,169	(147,978,807)
Total capital assets, being depreciated/amortized, net	262,759,551	50,995,594	(79,132)	313,676,013
Governmental activities capital assets, net	\$ 322,753,594	\$ 102,898,676	\$ (50,351,567)	\$ 375,300,703

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8. CAPITAL ASSETS - CONTINUED

Capital asset activity for the City's business-type activities for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2023
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,626	\$ -	\$ -	\$ 164,626
Construction in progress	-	132,383	(27,558)	104,825
Total capital assets, not being depreciated	164,626	132,383	(27,558)	269,451
Capital assets, being depreciated:				
Buildings and improvements	28,024,334	75,520	-	28,099,854
Sewage plants and lines	85,314,610	2,086,960	(214,287)	87,187,283
Machinery and equipment	5,613,264	259,864	(57,812)	5,815,316
Small tools and equipment	7,200	6,850	-	14,050
Vehicles	7,052,768	1,385,400	(249,371)	8,188,797
Total capital assets, being depreciated	126,012,176	3,814,594	(521,470)	129,305,300
Less accumulated depreciation for:				
Buildings and improvements	(8,156,824)	(909,585)	-	(9,066,409)
Sewage plants and lines	(25,514,422)	(1,706,679)	209,904	(27,011,197)
Machinery and equipment	(3,578,510)	(450,175)	41,029	(3,987,656)
Small tools and equipment	(7,200)	(799)	-	(7,999)
Vehicles	(5,699,135)	(694,206)	249,371	(6,143,970)
Total accumulated depreciation	(42,956,091)	(3,761,444)	500,304	(46,217,231)
Total capital assets, being depreciated, net	83,056,085	53,150	(21,166)	83,088,069
Business-type activities capital assets, net	\$ 83,220,711	\$ 185,533	\$ (48,724)	\$ 83,357,520

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

Governmental activities:	
General government and administration	\$ 1,619,501
Public works	5,281,948
Environmental services	62,418
Public safety	2,059,505
Library	178,543
Parks and recreation	1,383,888
Development services	323,613
Social and economic development	102,459
Employee services	43,393
Total depreciation expense - governmental activities	\$ 11,055,268
Business-type activities:	
Sewer Fund	\$ 3,187,016
Solid Waste Management Fund	574,428
Total depreciation expense - business-type activities	\$ 3,761,444

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8. CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

Board of Education

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,766,074	\$ -	\$ -	\$ 18,766,074
Construction in progress	47,779,986	12,093,636	(37,521,851)	22,351,771
Total capital assets, not being depreciated	66,546,060	12,093,636	(37,521,851)	41,117,845
Capital assets, being depreciated/amortized:				
Land improvements	5,740,584	7,242,524	(161,847)	12,821,261
Buildings and improvements	223,438,911	30,279,327	(1,016,816)	252,701,422
Furniture, equipment and vehicles	16,292,368	738,853	(450,791)	16,580,430
Right-to-use leased assets	109,706	13,228	(32,847)	90,087
Right-to-use subscription assets	285,705	936,815	-	1,222,520
Total capital assets, being depreciated/amortized	245,867,274	39,210,747	(1,662,301)	283,415,720
Less accumulated depreciation/amortization for:				
Land improvements	(3,667,967)	(345,255)	109,193	(3,904,029)
Buildings and improvements	(54,725,383)	(5,389,474)	922,850	(59,192,007)
Furniture, equipment and vehicles	(10,092,159)	(1,207,105)	447,792	(10,851,472)
Right-to-use leased assets	(38,706)	(37,862)	29,138	(47,430)
Right-to-use subscription assets	-	(199,995)	-	(199,995)
Total accumulated depreciation/amortization	(68,524,215)	(7,179,691)	1,508,973	(74,194,933)
Total capital assets, being depreciated/amortized, net	177,343,059	32,031,056	(153,328)	209,220,787
Total governmental activities capital assets, net	\$ 243,889,119	\$ 44,124,692	\$ (37,675,179)	\$ 250,338,632

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8. CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
Instruction	\$5,797,353
Instructional support	338,247
Operation and maintenance	104,521
Auxiliary services	
Student transportation services	888,507
Food services	49,571
General administrative services	<u>1,492</u>
Total depreciation expense - governmental activities	<u><u>\$7,179,691</u></u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8. CAPITAL ASSETS - CONTINUED

Water Works Board

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deductions	Balance 9/30/2023
Business-type activity:				
Capital assets, nondepreciable:				
Land and land clearing	\$ 1,633,587	\$ -	\$ -	\$ 1,633,587
Construction in progress	3,810,220	3,431,884	(7,004,816)	237,288
Total capital assets, nondepreciable	5,443,807	3,431,884	(7,004,816)	1,870,875
Capital assets, depreciable:				
Utility system and plant	110,118,409	8,582,153	(156,594)	118,543,968
Buildings and improvements	7,873,542	31,513	-	7,905,055
Vehicles	1,150,860	596,391	(9,500)	1,737,751
Machinery, equipment and tools	1,533,962	46,446	(96,836)	1,483,572
Office equipment	788,420	-	-	788,420
Right-to-use leased office equipment	22,140	-	-	22,140
Total capital assets, depreciable	121,487,333	9,256,503	(262,930)	130,480,906
Less accumulated depreciation/ amortization for:				
Utility system and plant	(34,805,387)	(2,321,973)	120,182	(37,007,178)
Buildings and improvements	(4,238,123)	(315,268)	-	(4,553,391)
Vehicles	(870,995)	(138,452)	2,692	(1,006,755)
Machinery, equipment and tools	(996,062)	(106,508)	88,534	(1,014,036)
Office equipment	(734,093)	(25,963)	-	(760,056)
Right-to-use leased office equipment	(6,430)	(6,774)	-	(13,204)
Total accumulated depreciation/amortization	(41,651,090)	(2,914,938)	211,408	(44,354,620)
Total capital assets, depreciable, net	79,836,243	6,341,565	(51,522)	86,126,286
Business-type activity capital assets, net	\$85,280,050	\$ 9,773,449	\$(7,056,338)	\$ 87,997,161

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8. CAPITAL ASSETS - CONTINUED

Industrial Development Board

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Balance</u> <u>10/1/2022</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance</u> <u>9/30/2023</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 5,902,041	\$ 1,000	\$ (1,708,374)	\$ 4,194,667
Construction in progress	<u>1,434,462</u>	<u>375,314</u>	<u>(1,709,610)</u>	<u>100,166</u>
Total capital assets, not being depreciated	<u>7,336,503</u>	<u>376,314</u>	<u>(3,417,984)</u>	<u>4,294,833</u>
Capital assets, being depreciated:				
Buildings	48,691,458	1,426,573	(5,155,770)	44,962,261
Building improvements	2,604,405	288,182	-	2,892,587
Land improvements	1,728,856	-	-	1,728,856
Equipment	1,390,087	20,619	-	1,410,706
Vehicles	<u>172,615</u>	<u>-</u>	<u>-</u>	<u>172,615</u>
Total capital assets, being depreciated	<u>54,587,421</u>	<u>1,735,374</u>	<u>(5,155,770)</u>	<u>51,167,025</u>
Accumulated depreciation				
Buildings	(11,972,058)	(934,432)	919,446	(11,987,044)
Building improvements	(536,776)	(86,784)	-	(623,560)
Land improvements	(1,037,531)	(58,984)	-	(1,096,515)
Equipment	(954,373)	(172,089)	-	(1,126,462)
Vehicles	<u>(160,960)</u>	<u>(7,361)</u>	<u>-</u>	<u>(168,321)</u>
Total accumulated depreciation	<u>(14,661,698)</u>	<u>(1,259,650)</u>	<u>919,446</u>	<u>(15,001,902)</u>
Total capital assets, being depreciated, net	<u>39,925,723</u>	<u>475,724</u>	<u>(4,236,324)</u>	<u>36,165,123</u>
Total capital assets, net	<u>\$ 47,262,226</u>	<u>\$ 852,038</u>	<u>\$ (7,654,308)</u>	<u>\$ 40,459,956</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 8. CAPITAL ASSETS - CONTINUED

Public Park and Recreation Board

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Balance</u> <u>10/1/2022</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deductions</u>	<u>Balance</u> <u>9/30/2023</u>
Business-type activity:				
Capital assets, being depreciated:				
Buildings and improvements	\$7,407,716	\$ 283,303	\$(152,766)	\$7,538,253
Machinery and equipment	62,550	-	(9,642)	52,908
Vehicles	9,149	-	-	9,149
Total capital assets, being depreciated	<u>7,479,415</u>	<u>283,303</u>	<u>(162,408)</u>	<u>7,600,310</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,501,010)	(324,810)	140,689	(4,685,131)
Machinery and equipment	(60,303)	(1,419)	9,642	(52,080)
Vehicles	(6,252)	(1,830)	-	(8,082)
Total accumulated depreciation	<u>(4,567,565)</u>	<u>(328,059)</u>	<u>150,331</u>	<u>(4,745,293)</u>
Business-type activity capital assets, net	<u>\$2,911,850</u>	<u>\$ (44,756)</u>	<u>\$ (12,077)</u>	<u>\$2,855,017</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES

CITY OF AUBURN PRIMARY GOVERNMENT

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Governmental activities:					
Bonds and warrants payable:					
General obligation bonds	\$ 113,595,000	\$ -	\$ (2,265,000)	\$ 111,330,000	\$ 2,325,000
General obligation warrants	87,680,831	-	(3,404,300)	84,276,531	3,394,300
General obligation warrants from direct placements	82,093,623	-	(7,087,351)	75,006,272	7,090,569
Add: bond issue premiums	18,871,917	-	(948,315)	17,923,602	-
Total bonds and warrants payable	302,241,371	-	(13,704,966)	288,536,405	12,809,869
Notes payable	1,890,000	-	(179,000)	1,711,000	180,000
Leases	239,716	30,301	(78,491)	191,526	80,758
Subscriptions	-	2,142,715	(802,519)	1,340,196	866,268
Accumulated annual leave	2,593,148	-	(219,182)	2,373,966	120,772
Claims payable	1,514,429	610,556	(394,023)	1,730,962	124,249
Landfill closure and postclosure care liability	91,000	-	(7,000)	84,000	7,000
Other postemployment benefits liability	4,563,512	273,615	-	4,837,127	257,989
Net pension liability	39,338,106	21,513,496	-	60,851,602	-
Governmental activities long-term liabilities	<u>352,471,282</u>	<u>24,570,683</u>	<u>(15,385,181)</u>	<u>361,656,784</u>	<u>14,446,905</u>
Business-type activities:					
General obligation warrants payable:					
Warrants payable	5,119,169	-	(1,270,700)	3,848,469	1,335,700
Warrants payable from direct placements	19,582,000	-	(2,292,000)	17,290,000	2,345,000
Add: warrant issue premiums	470,518	-	(187,679)	282,839	-
Total warrants payable	25,171,687	-	(3,750,379)	21,421,308	3,680,700
Accumulated annual leave	191,787	23,775	(13,557)	202,005	14,050
Other postemployment benefits liability	508,159	27,079	-	535,238	25,533
Net pension liability	2,874,596	1,559,388	-	4,433,984	-
Business-type activities long-term liabilities	<u>28,746,229</u>	<u>1,610,242</u>	<u>(3,763,936)</u>	<u>26,592,535</u>	<u>3,720,283</u>
Total primary government long-term liabilities	<u>\$ 381,217,511</u>	<u>\$ 26,180,925</u>	<u>\$ (19,149,117)</u>	<u>\$ 388,249,319</u>	<u>\$ 18,167,188</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES – CONTINUED

For the governmental activities, lease and subscription liabilities, accumulated annual leave, claims payable, landfill closure and post closure care liabilities, and other postemployment benefits liabilities are generally paid by the General Fund.

Bonds, notes and warrants payable of the City of Auburn at September 30, 2023 are comprised of the following individual issues:

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Source of Payment</u>	<u>Principal Issued</u>	<u>Principal Outstanding September 30, 2023</u>	<u>Year of Final Principal Maturity</u>
Governmental activities:						
Bonds payable:						
General obligation bonds, dated 05.01.2012 ('12 Capital projects)	2%-5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	\$ 4,000,000	\$ 435,000	2024
General obligation bonds, dated 06.23.2015 (New high school and school capital improvements)	2.25%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	78,145,000	75,695,000	2045
General obligation bonds, dated 10.17.2019 (New school)	3%-5%	5/1-11/1	Special 5-Mill Tax Fund ad valorem taxes	<u>37,090,000</u>	<u>35,200,000</u>	2049
Total bonds payable				<u>119,235,000</u>	<u>111,330,000</u>	
Notes Payable:						
Note payable, U. S. Dept of Housing and Urban Development, dated 03.27.2012 (Loan Guarantee Assistance)	LIBOR+0.2%	Monthly	Section 108 Loan Program Fund	<u>3,312,000</u>	<u>1,711,000</u>	2034
Warrants payable:						
General obligation warrants, dated 09.22.2006 (Tennis center - AU portion)	4.23%	3/1 - 9/1	Full faith credit and taxing power of the City of Auburn	3,700,000	768,927	2026
General obligation warrants, dated 07.27.2010 (Refund IDB '04-A Bonds)	4.84%	Monthly	Full faith credit and taxing power of the City of Auburn	10,275,000	909,811	2024
General obligation school warrants, dated 02.22.2012 (Pick Elementary School and land)	2.78%	Monthly	Special School Tax Fund ad valorem taxes	18,500,000	9,032,552	2032

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2023	Year of Final Principal Maturity
Warrants payable:						
General obligation warrants, (partially refund '05 warrants - school improvement)	1% - 5%	2/1-8/1	Special School Tax Fund ad v alorem taxes	10,240,000	90,000	2026
General obligation school warrants, dated 08.04.2017 (New elementary school)	2.58%	2/1-8/1	Special School Tax Fund ad v alorem taxes	18,000,000	13,526,051	2037
General obligation warrants, dated 05.08.2018 (New public safety complex & other improvements)	2% - 5%	5/1-11/1	Full faith credit and taxing power of the City of Auburn	30,610,000	27,800,000	2048
General obligation warrants, dated 12.11.2018 (Refund '08 warrants) (Auburn HS renovations)	3.01%	Monthly	Special School Tax Fund ad v alorem taxes	5,259,668	2,814,931	2028
General obligation refunding school warrants, dated 03.10.2020 (Refund '10-A School Warrants)	1.56%	2/1-8/1	Special School Tax Fund ad v alorem taxes	14,625,000	6,535,000	2026
General obligation warrants, dated 07.27.2020 (New parking deck and other capital improvements)	2.30%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	16,000,000	14,074,000	2040
General obligation school warrants, dated 08.19.2021 (New elementary school & other improvements)	2% - 4%	2/1-8/1	Special School Tax Fund ad v alorem taxes	17,915,000	16,605,000	2041

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

	Interest Rate	Interest Dates	Source of Payment	Principal Issued	Principal Outstanding September 30, 2023	Year of Final Principal Maturity
General obligation refunding school warrants, dated 08.19.2021 (Partially refund '14-B School Warrants)	.31% - 2.16%	2/1-8/1	Special School Tax Fund ad valorem taxes	10,955,000	10,740,000	2035
General obligation warrants, dated 08.18.2022 (Public works and environmental services capital improvements)	4% - 5%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	48,925,000	47,218,500	2042
General obligation refunding school warrants, dated 08.18.2022 (Refund '12-B School Warrants)	4% - 5%	2/1-8/1	Special School Tax Fund ad valorem taxes	<u>10,245,831</u>	<u>9,168,031</u>	2030
Total warrants payable				<u>215,250,499</u>	<u>159,282,803</u>	
Total governmental activity bonds, notes, and warrants payable				<u>334,485,499</u>	<u>272,323,803</u>	
Business-type activities:						
Warrants payable:						
General obligation warrants, dated 10.28.2014 (Partial refund '08 warrants)	3% - 5%	6/1-12/1	Sewer Fund	19,240,000	1,080,000	2023
General obligation warrants, dated 12.11.18 (Refund '09 warrants)	2.72%	1/1-7/1	Sewer Fund	9,652,000	2,040,000	2024
General obligation warrants, dated 8.19.21 (Partial refund '14 warrants)	.31% - 2.16%	2/1-8/1	Sewer Fund	15,870,000	15,250,000	2034
General obligation warrants, dated 8.18.22 (Refund '12-B warrants)	4% - 5%	2/1-8/1	Sewer Fund	<u>3,009,169</u>	<u>2,768,469</u>	2032
Total business type activity warrants payable				<u>47,771,169</u>	<u>21,138,469</u>	
Total bonds, notes, and warrants payable				<u>\$ 382,256,668</u>	<u>\$ 293,462,272</u>	

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for bonds, notes, and warrants payable of the City of Auburn at September 30, 2023:

Fiscal Year	Total Annual Requirements			Governmental Activity Bonds, Notes, and Warrants Payable			Business-type Activity Warrants Payable		
	Principal	Interest	Total	Total			Principal	Interest	Requirements
				Principal	Interest	Requirements			
2024	\$ 16,670,569	\$ 11,040,101	\$ 27,710,670	\$ 12,989,869	\$ 10,635,567	\$ 23,625,436	\$ 3,680,700	\$ 404,534	\$ 4,085,234
2025	13,647,552	10,552,639	24,200,191	11,961,852	10,218,618	22,180,470	1,685,700	334,021	2,019,721
2026	15,344,623	10,130,890	25,475,513	13,638,923	9,823,364	23,462,287	1,705,700	307,526	2,013,226
2027	13,263,516	9,622,006	22,885,522	11,527,816	9,344,407	20,872,223	1,735,700	277,599	2,013,299
2028	13,578,869	9,105,655	22,684,524	11,808,169	8,860,184	20,668,353	1,770,700	245,471	2,016,171
2029	13,573,915	8,579,503	22,153,418	11,773,215	8,369,219	20,142,434	1,800,700	210,284	2,010,984
2030	14,068,032	8,034,573	22,102,605	12,070,763	7,856,695	19,927,458	1,997,269	177,878	2,175,147
2031	14,679,645	7,516,110	22,195,755	12,906,145	7,373,252	20,279,397	1,773,500	142,858	1,916,358
2032	14,371,058	7,050,253	21,421,311	12,557,558	6,945,562	19,503,120	1,813,500	104,691	1,918,191
2033	14,018,266	6,592,879	20,611,145	12,443,266	6,529,049	18,972,315	1,575,000	63,830	1,638,830
2034	14,490,692	6,067,445	20,558,137	12,890,692	6,034,485	18,925,177	1,600,000	32,960	1,632,960
2035	13,297,799	5,518,687	18,816,486	13,297,799	5,518,687	18,816,486			
2036	11,697,607	4,982,887	16,680,494	11,697,607	4,982,887	16,680,494			
2037	12,179,129	4,503,214	16,682,343	12,179,129	4,503,214	16,682,343			
2038	11,498,000	4,023,013	15,521,013	11,498,000	4,023,013	15,521,013			
2039	11,987,000	3,551,069	15,538,069	11,987,000	3,551,069	15,538,069			
2040	12,431,000	3,057,173	15,488,173	12,431,000	3,057,173	15,488,173			
2041	11,945,000	2,538,488	14,483,488	11,945,000	2,538,488	14,483,488			
2042	11,250,000	2,032,956	13,282,956	11,250,000	2,032,956	13,282,956			
2043	7,850,000	1,530,556	9,380,556	7,850,000	1,530,556	9,380,556			
2044	8,195,000	1,200,556	9,395,556	8,195,000	1,200,556	9,395,556			
2045	8,530,000	877,150	9,407,150	8,530,000	877,150	9,407,150			
2046	3,455,000	540,550	3,995,550	3,455,000	540,550	3,995,550			
2047	3,585,000	407,175	3,992,175	3,585,000	407,175	3,992,175			
2048	3,725,000	268,625	3,993,625	3,725,000	268,625	3,993,625			
2049	2,025,000	124,700	2,149,700	2,025,000	124,700	2,149,700			
2050	2,105,000	42,100	2,147,100	2,105,000	42,100	2,147,100			
Total	\$ 293,462,272	\$ 129,490,953	\$ 422,953,225	\$ 272,323,803	\$ 127,189,301	\$ 399,513,104	\$ 21,138,469	\$ 2,301,652	\$ 23,440,121

In the current year and prior years, the government defeased various general obligation bonds and warrants by placing the proceeds of the new bonds or warrants in an irrevocable trust account to provide for all future debt service payments on the old bonds and warrants. Accordingly, the trust account assets and the liabilities for the defeased bonds and warrants are not included in the government's financial statements. At September 30, 2023, \$65,345,000 of defeased bonds and warrants remain outstanding.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

COMPONENT UNITS

Board of Education

The Board has four installment agreements with Xerox for multiple printers at schools. These installment agreements were signed in July 2020 and October 2020, are payable in monthly installments of \$3,699 with interest rates between 8% and 10% and matured in July 2023 and November 2023. Until the installment agreements are paid in full, Xerox has a purchase money security interest on the printers. In addition to the notes payable, information related to the Board's lease and subscription liabilities, are shown below.

Notes and leases payable of the Board as of September 30, 2023, are comprised of:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023
Governmental activities:				
Notes payable, Xerox	\$ 38,615	\$ -	\$ (36,838)	\$ 1,777
Leases	71,083	13,228	(41,455)	42,856
Subscriptions	-	497,766	(161,160)	336,606
Governmental activities long-term liabilities	\$ 109,698	\$ 510,994	\$ (239,453)	\$ 381,239

Lease and subscription arrangement payments to maturity for the Board are reported in Note 11. The following schedule shows debt service to maturity for notes payable of the Board as of September 30, 2023:

Year ending September 30	Principal	Interest	Total
2024	\$ 1,777	\$ 22	\$ 1,799

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

Water Works Board

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Business-type activities:					
Bonds payable:					
Bonds payable - 2020A	\$14,410,000	\$ -	\$ (1,150,000)	\$13,260,000	\$ 1,185,000
Bonds payable - 2020B	18,020,000	-	(205,000)	17,815,000	205,000
Premiums on bonds	2,387,034	-	(136,402)	2,250,632	-
Leases	15,624	-	(6,900)	8,724	6,262
	<u>34,832,658</u>	<u>-</u>	<u>(1,498,302)</u>	<u>33,334,356</u>	<u>1,396,262</u>
Accumulated annual leave	81,016	9,711	-	90,727	-
Other postemployment benefits liability	221,667	15,233	-	236,900	14,362
Net pension liability	160,345	822,358	-	982,703	-
	<u>463,028</u>	<u>847,302</u>	<u>-</u>	<u>1,310,330</u>	<u>14,362</u>
Business-type activity long-term liabilities	<u>\$35,295,686</u>	<u>\$ 847,302</u>	<u>\$ (1,498,302)</u>	<u>\$34,644,686</u>	<u>\$ 1,410,624</u>

Bonds payable at September 30, 2023, are comprised of an original bond issue of \$16,860,000 dated March 26, 2020 known as the Series 2020-A Water Revenue Bonds and an original bond issue of \$18,475,000 dated March 26, 2020 known as the Series 2020-B Taxable Water Revenue Bonds.

The proceeds of the Series 2020-A Bonds, including an original issue premium of \$2,728,039, were issued for the purpose of paying the costs of certain public capital improvements to the System totaling \$5,800,000, redeeming and retiring \$13,604,140 of the Board's Series 2010 Bonds, and paying issuance costs of \$183,899. The 2020-A bonds were issued at interest rates ranging from 2.125% to 4.0%. The stated maturity dates of the 2020-A bonds are September 1 beginning in 2020 and continuing through 2039.

The proceeds of the Series 2020-B Bonds were issued for the purpose of redeeming and retiring \$18,278,845 of the Board's Series 2015 Bonds and to pay issuance costs of \$196,155. The 2020-B bonds were issued at interest rates ranging from 1.388% to 2.98%. The stated maturity dates of the 2020-B bonds are September 1 beginning in 2020 and continuing through 2040.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

Bonds payable of the Water Works Board of the City of Auburn at September 30, 2023, are comprised of the following individual issues:

	<u>Interest Rate</u>	<u>Interest Dates</u>	<u>Source of Payment</u>	<u>Principal Issued</u>	<u>Principal Outstanding September 30, 2023</u>	<u>Year of Final Principal Maturity</u>
Business type activities						
Bonds payable:						
Series 2020-A Bonds, Dated 03.26.2020	2.125% to 4.0%	3/1-9/1	Revenues	\$16,860,000	\$ 13,260,000	2039
Series 2020-B Bonds, Dated 03.26.2020	1.388% to 2.98%	3/1-9/1	Revenues	<u>18,475,000</u>	<u>17,815,000</u>	2040
Total bonds payable				<u>\$35,335,000</u>	<u>\$ 31,075,000</u>	

The following schedule shows debt service to maturity for bonds payable of the Water Works Board of the City of Auburn at September 30, 2023:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,390,000	\$ 977,805	\$ 2,367,805
2025	1,430,000	939,000	2,369,000
2026	1,480,000	886,943	2,366,943
2027	1,535,000	832,378	2,367,378
2028	1,595,000	775,435	2,370,435
2029-2033	8,905,000	2,934,599	11,839,599
2034-2038	10,325,000	1,515,694	11,840,694
2039-2040	<u>4,415,000</u>	<u>194,022</u>	<u>4,609,022</u>
Total	<u>\$31,075,000</u>	<u>\$ 9,055,876</u>	<u>\$40,130,876</u>

The Water Revenue Bonds are collateralized by a pledge of net system revenues derived, and to be derived from, the operation of the AWWB's water system. The AWWB is also required to maintain such rates and charges for the water service and other services supplied from the system and make collections from the users thereof in such a manner as shall produce revenues sufficient at all times (i) to provide for payment of all operating expenses, (ii) to produce annual net income of not less than 110% of the then applicable maximum annual debt service requirement, and (iii) to make all monthly payments provided herein. These coverage requirements have been met by the AWWB for the year ended September 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

Industrial Development Board

The following is a summary of changes in notes payable of the IDB for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Long term notes payable	\$ 47,706,601	\$ 250,000	\$ (6,127,396)	\$ 41,829,205	\$ 8,331,468
Short term notes payable	300,000	-	(300,000)	-	-
Total	<u>\$ 48,006,601</u>	<u>\$ 250,000</u>	<u>\$ (6,427,396)</u>	<u>\$ 41,829,205</u>	<u>\$ 8,331,468</u>

Short-term notes were issued to finance the purchase of land for resale. As of September 30, 2023, there was no outstanding balance on short-term loans.

During fiscal year 2019, the Board obtained a line of credit for \$1,000,000 from AuburnBank for the purpose of acquiring equipment. The line matures on September 19, 2029, and bears interest at 5.50%. Draws totaling \$999,607 have been made against the line since its inception (\$0 in fiscal year 2023), and the amount of available credit at September 30, 2023, was \$393. All equipment owned by the Board is pledged as security for the line of credit.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

Long-term notes payable of the IDB at September 30, 2023, are comprised of the following individual issues:

	Interest Rate	Interest Dates	Principal Issued	Principal Outstanding 9/30/2023	Year of Final Principal Maturity
AuburnBank	7.75%	Monthly	\$ 8,670,000	\$ 2,762,089	2029
AuburnBank	5.00%	Monthly	2,157,341	1,520,592	2025
AuburnBank	5.00%	Monthly	5,525,000	4,929,244	2024
AuburnBank	5.00%	Monthly	260,000	90,863	2026
AuburnBank	3.80%	Monthly	5,738,184	5,174,706	2025
AuburnBank	5.00%	Monthly	1,445,000	1,264,231	2025
AuburnBank	4.50%	Monthly	1,290,000	374,246	2027
AuburnBank	4.50%	Monthly	1,025,000	317,766	2027
AuburnBank	5.00%	Monthly	493,000	431,556	2024
AuburnBank	5.00%	Monthly	875,000	379,497	2024
AuburnBank	4.25%	Monthly	7,059,363	5,762,877	2025
AuburnBank	4.50%	Monthly	2,700,000	2,111,654	2027
AuburnBank	4.75%	Monthly	5,000,000	4,263,273	2030
AuburnBank	5.50%	Monthly	999,608	600,000	2029
AuburnBank	4.50%	Monthly	9,475,500	7,714,337	2026
AuburnBank	4.50%	Monthly	1,174,990	1,119,077	2027
AuburnBank	4.50%	Monthly	1,000,000	958,076	2027
AuburnBank	5.00%	Monthly	150,000	115,282	2026
AuburnBank	4.50%	Monthly	1,473,999	1,180,737	2029
AuburnBank	4.50%	Monthly	600,000	514,384	2027
AuburnBank	5.00%	Monthly	250,000	244,718	2028
Total notes payable			<u>\$ 57,361,985</u>	<u>\$ 41,829,205</u>	

Proceeds of the notes were used to purchase and construct industrial buildings held for leasing by the IDB, to purchase property for resale, to purchase equipment and to finance property and equipment sold under capital leases. The notes are secured by real estate mortgages on the properties financed and assignment of related leases.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 9. LONG-TERM LIABILITIES - CONTINUED

The following schedule shows debt service to maturity for long-term notes payable of the Industrial Development Board at September 30, 2023:

Fiscal Year	Total Annual Requirements		
	Principal	Interest	Total
2024	\$ 8,331,468	\$ 1,733,224	\$ 10,064,692
2025	14,846,492	1,358,526	16,205,018
2026	8,807,058	738,934	9,545,992
2027	5,245,974	432,910	5,678,884
2028	1,497,725	201,266	1,698,991
2029	691,749	131,769	823,518
2030	2,408,739	106,601	2,515,340
Total	<u>\$ 41,829,205</u>	<u>\$ 4,703,230</u>	<u>\$ 46,532,435</u>

NOTE 10. UNEARNED PROGRAM REVENUE

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Urban Development Action Grants and Housing Development Action Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans will remain outstanding until such time as specified in the grant agreements. At that time, the City will receive the balance of the second mortgages plus interest, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2023, totaled \$93,842.

During prior years and the current year, the City received monies from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants. Under the terms of the grants, the monies received from HUD are loaned to qualified borrowers for housing rehabilitation and the City holds second mortgages as collateral. When the City made these loans, unearned revenue equal to the principal amount of the mortgage was recorded in the governmental fund financial statements. The loans made under this program are deferred for 20 years from the date of the loan. At that time, the City will begin receiving amortized payments of principal and interest for the second mortgages, and unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The mortgages outstanding at September 30, 2023, totaled \$1,176,980.

During prior years, the City received monies from the U.S. Department of Housing and Urban Development (HUD) under a Loan Guarantee Assistance contract pursuant to Section 108 of Title 1 of the Housing and Urban Development Act of 1974. Under the terms of the loans, the monies received from HUD are loaned to qualified borrowers as micro-loans or as part of a Commercial and Industrial Loan Program. When the City made these loans, unearned revenue equal to the principal amount of the loan was recorded in the governmental fund financial statements. The loans made under this program are repaid according to the terms of each individual loan agreement. As the City receives amortized payments of principal and interest, unearned revenue equal to the amount of principal repayment received by the City will be recognized as program revenue. The loans outstanding at September 30, 2023, totaled \$289,755.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 11. LEASES

CITY OF AUBURN PRIMARY GOVERNMENT

In fiscal year 2022, the City adopted GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about the City's leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The City is currently entered into 17 noncancelable leases with various third parties. Current lease activities include the right-to-use office space, copiers and postage machines. The lease terms include the noncancelable period of the lease and extensions the City is reasonably certain to exercise and vary with each contract. The leases have interest rates ranging from .529% to 3.378%.

The City amortized the right-to-use lease assets as following during the fiscal year:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Governmental activities:				
Lease assets				
Equipment	\$ 74,672	\$ 30,301	\$ -	\$ 104,973
Buildings	<u>214,607</u>	<u>-</u>	<u>-</u>	<u>214,607</u>
Total lease assets	<u>289,279</u>	<u>30,301</u>	<u>-</u>	<u>319,580</u>
Less accumulated amortization				
Equipment	(18,199)	(30,820)	-	(49,019)
Buildings	<u>(30,168)</u>	<u>(51,471)</u>	<u>-</u>	<u>(81,639)</u>
Total accumulated amortization	<u>(48,367)</u>	<u>(82,291)</u>	<u>-</u>	<u>(130,658)</u>
Total lease assets, being amortized, net	<u>\$ 240,912</u>	<u>\$ (51,990)</u>	<u>\$ -</u>	<u>\$ 188,922</u>

At September 30, 2023, the lease liability principal and interest requirements to maturity are as follows:

Year ending September 30	Principal	Interest	Total
2024	\$ 80,758	\$ 2,847	\$ 83,605
2025	72,584	1,441	74,025
2026	36,505	270	36,775
2027	<u>1,679</u>	<u>23</u>	<u>1,702</u>
Total	<u>\$ 191,526</u>	<u>\$ 4,581</u>	<u>\$ 196,107</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 11. LEASES- CONTINUED

COMPONENT UNITS

Board of Education

As of September 30, 2023, the Board of Education had 14 active lease agreements for the use of copiers, digital imagers and a postage machine. The lease terms range from 16-60 months. The Board's incremental borrowing rate for the lease agreements range from 0.263% to 2.45%. Under these agreements, the Board is required to make monthly payments ranging from \$94 to \$688. The total value of the Board's right-to-use lease asset balance at September 30, 2023, was \$90,087 and accumulated amortization related to the right-to-use asset at September 30, 2023, was \$47,430. The September 30, 2023 lease liability was \$42,856.

The future principal and interest payments as of September 30, 2023, were as follows:

Year ending September 30	Principal	Interest	Total
2024	\$ 26,576	\$ 441	\$ 27,017
2025	9,257	237	9,494
2026	2,666	142	2,808
2027	2,732	76	2,808
2028	1,625	13	1,638
Total	<u>\$ 42,856</u>	<u>\$ 909</u>	<u>\$ 43,765</u>

Water Works Board

On October 1, 2021, the Water Board entered into a 47-month lease as Lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$10,432. As of September 30, 2023, the value of the lease liability is \$4,910. The Water Board is required to make quarterly fixed payments of \$708. The lease has an interest rate of 0.916%. The equipment's estimated useful life was 47 months as of the contract commencement. The value of the right-to-use asset as of September 30, 2023 was \$10,432 with accumulated amortization of \$5,282.

On October 1, 2021, the Water Board entered into a 32-month lease as Lessee for the use of a copier. An initial lease liability was recorded in the amount of \$5,519. As of September 30, 2023, the value of the lease liability is \$1,389. The Water Board is required to make monthly fixed payments of \$174. The lease has an interest rate of 0.7426%. The estimated useful life was 32 months as of the contract commencement. The value of the right-to-use asset as of September 30, 2023 was \$5,519 with accumulated amortization of \$4,139.

On December 1, 2021, the Water Board entered into a 36-month lease as Lessee for the use of a copier. An initial lease liability was recorded in the amount of \$6,189. As of September 30, 2023, the value of the lease liability is \$2,425. The Water Board is required to make monthly fixed payments of \$174. The lease has an interest rate of 0.8770%. The estimated useful life was 36 months as of the contract commencement. The value of the right-to-use asset as of September 30, 2023 was \$6,189 with accumulated amortization of \$3,783.

The future principal and interest payments as of September 30, 2023, were as follows:

Year ending September 30	Principal	Interest	Total
2024	\$ 6,262	\$ 52	\$ 6,314
2025	2,462	10	2,472
Total	<u>\$ 8,724</u>	<u>\$ 62</u>	<u>\$ 8,786</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 11. LEASES- CONTINUED

Industrial Development Board

Description of leasing arrangements - The IDB's leasing activities consist of the leasing of industrial space in facilities owned by the IDB (operating leases) and sales-type capital leases to various industries for land, buildings and/or equipment located in the IDB's industrial parks. The operating leases expire over the next twenty-four years and the capital leases expire over the next twenty-three years.

Operating leases – During the year ended September 30, 2023, the IDB had 11 active lease agreements consisting of leasing of industrial space in facilities owned by the Board. The non-cancelable lease terms range from 1-10 years, with optional renewal periods up to an additional 15 years. The Board's interest rates for the lease agreements range from 4.75% to 5.75%. Under these agreements, the Board receives monthly fixed payments ranging from \$4,500 to \$72,476. The Board recognized \$2,002,966 in lease revenue and \$1,421,501 in interest revenue during the current fiscal year related to these leases, additionally, variable payments not included in the measurement of leases receivable in the amount of \$77,510 were recognized by the Board. One lessee exercised its purchase option during the year and the lease receivable of \$3,417,789 and deferred inflows of \$3,410,326 were removed. This resulted in a loss on lease termination of approximately \$7,500 that was added to the loss on disposition of the underlying property. As of September 30, 2023, the Board's receivable for lease payments was \$27,107,474. Also, the Board has a deferred inflow of resources associated with these leases that will be recognized as revenue over the term of the leases. As of September 30, 2023, the balance of the deferred inflow of resources from these leases was \$26,383,703.

At September 30, 2023, the IDB recognizes the following lease receivables:

	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023
Lease receivable				
Buildings	\$ 33,213,292	\$ 672,828	\$ (3,417,789)	\$ 30,468,331
Less amortization				
Buildings	<u>(1,644,844)</u>	<u>(1,716,013)</u>	<u>-</u>	<u>(3,360,857)</u>
Total lease assets				
being amortized, net	<u>\$ 31,568,448</u>	<u>\$ (1,043,185)</u>	<u>\$ (3,417,789)</u>	<u>\$ 27,107,474</u>

At September 30, 2023, the lease receivable principal and interest requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,700,216	\$ 1,340,470	\$ 3,040,686
2025	1,701,490	1,253,596	2,955,086
2026	1,702,385	1,167,727	2,870,112
2027	1,643,410	1,082,548	2,725,958
2028	1,706,198	998,572	2,704,770
2029-2033	6,573,221	3,937,982	10,511,203
2034-2038	5,941,265	2,332,887	8,274,152
2039-2043	4,264,405	950,938	5,215,343
2044-2047	<u>1,874,884</u>	<u>159,930</u>	<u>2,034,814</u>
Total	<u>\$ 27,107,474</u>	<u>\$ 13,224,650</u>	<u>\$ 40,332,124</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 11. LEASES- CONTINUED

Capital leases

- A. The IDB has leased, under capital leases, eleven parcels of land located in its industrial parks. Each lease contains a bargain-purchase option which can be exercised during the term of the lease. All rentals due under the leases were paid in advance and are not refundable in the event of lease cancellation or exercise of purchase option. Expiration of the leases ranges from 2026 to 2045, and several of the leases provide for renewal terms. No capital lease payments were received for these leases in fiscal year 2023, and future amounts receivable under the leases consist solely of payments under the bargain-purchase options, which are minimal.

During fiscal year 2017, 2018, 2021 and 2022, four existing companies conveyed property to the IDB, and the Board leased the property back to the companies under prepaid capital leases. Remaining payments under the leases consist solely of payments due under the bargain-purchase options, which are minimal, and no payments were received in fiscal year 2023. The leases expire in 2027, 2028, and 2041.

- B. The IDB has five sales-type capital leases involving land and buildings in the Auburn Industrial Park and the Auburn Technology Park West with lease terms expiring in 2023, 2025, 2035, 2039 and 2040. The components of the net investment in sales-type capital leases at September 30, 2023, are as follows:

Total minimum lease payments to be received	\$ 24,255,983
Less: unearned income	<u>(6,468,694)</u>
Net investment in capital leases	<u>\$ 17,787,289</u>

Executory costs such as maintenance and insurance are paid directly by lessees and therefore are not included in minimum lease payments. All lease payments are deemed collectible and there are no contingent rentals or unguaranteed residual values associated with the leases.

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

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2024	\$ 1,696,649
2025	1,696,649
2026	1,696,649
2027	1,696,649
2028	1,696,649
2029	1,696,649
2030	1,696,649
2031	1,696,649
2032	1,696,649
2033	1,696,649
Thereafter	<u>7,289,493</u>
Total	<u>\$ 24,255,983</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 11. LEASES - CONTINUED

C. The Auburn Center for Developing Industries (a component unit of the Industrial Development Board) maintains industrial space for rent to new industries. The land and buildings held for leasing by the Center are owned by the Industrial Development Board. There were thirteen short term leases in effect during fiscal year 2023 with maximum non-cancelable lease terms of less than twelve months, and the Board recognized \$193,962 in lease revenue and \$37,376 in utility recoveries related to the short-term leases.

NOTE 12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about the City's subscription-based information technology arrangement (SBITA) activities. This statement establishes a single model for accounting for SBITAs based on the principle that SBITAs are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

The City is currently entered into 5 noncancelable SBITAs with various third parties. The subscription agreements have interest rates ranging from 2.796% to 3.409%.

The City amortized the right-to-use subscription assets as following during the fiscal year:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Governmental activities:				
Subscription assets	\$ -	\$ 2,142,715	\$ -	\$ 2,142,715
Less accumulated amortization	-	(722,582)	-	(722,582)
Total subscription assets, being amortized, net	\$ -	\$ 1,420,133	\$ -	\$ 1,420,133

At September 30, 2023, the subscription liability principal and interest requirements to maturity are as follows:

Year ending September 30	Principal	Interest	Total
2024	\$ 866,268	\$ 41,892	\$ 908,160
2025	473,932	14,876	488,808
Total	\$ 1,340,200	\$ 56,768	\$ 1,396,968

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS – CONTINUED

COMPONENT UNITS

Board of Education

For the year ended September 30, 2023, the Board had 6 active Subscription-Based Information Technology Arrangements (SBITA) for software rights subject to the reporting requirements of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The initial arrangements terms ranged from 12-48 months. The Board's incremental borrowing rate for the SBITAs ranged from 2.4667% to 3.4087%. For three of the SBITAs, the Board elected to pay the entire amount due at inception. Under the remaining three arrangements, the Board makes monthly payments of \$4,072, an annual payment of \$40,366, and an annual payment of \$101,408. The total value of the Board's right-to-use SBITA asset balance at September 30, 2023, was \$1,222,520 and accumulated amortization related to the right-to-use asset at September 30, 2023, was \$199,250. The September 30, 2023, SBITA liability was \$336,606.

The future principal and interest payments as of September 30, 2023, were as follows:

Year ending September 30	Principal	Interest	Total
2024	\$ 155,025	\$ 10,341	\$ 165,366
2025	139,221	5,786	145,007
2026	42,360	1,239	43,599
Total	<u>\$ 336,606</u>	<u>\$ 17,366</u>	<u>\$ 353,972</u>

NOTE 13. DEFINED BENEFIT PENSION PLANS

CITY OF AUBURN PRIMARY GOVERNMENT

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

The ERS Board of Control consists of 15 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022. On September 1, 2020, the Auburn City Council approved the implementation of Act 2019-132 which provides Tier 1 retirement benefits to its Tier 2 plan members.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	30,598
Terminated employees entitled to but not yet receiving benefits	2,286
Terminated employees not entitled to a benefit	18,689
Active Members	57,278
Post-DROP participants who are still in active service	39
	<hr/>
	108,890
	<hr/>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2023, the City's active employee contribution rate was 6.44% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 11.06% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2023 was 12.29% of pensionable pay for Tier 1 employees, and 10.64% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$4,729,851 for the year ended September 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Net Pension Liability. The City's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total Pension Liability as of September 30, 2021	\$ 142,528,606	\$ 145,631,727
(b) Discount rate	7.45%	7.45%
(c) Entry Age Normal Cost for the period		
October 1, 2021 - September 30, 2022	3,621,613	3,624,433
(d) Transfers Among Employers	-	170,577
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(7,290,814)	(7,290,814)
(f) Total Pension Liability as of September 30, 2022 = [(a) x (1+(b))] + (c) + (d) + [(e) x(1+ 0.5*(b))]	\$ 149,206,203	\$ 152,713,904

Actuarial assumptions. The total pension liability as of September 30, 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected salary increases	3.25%-6.00%
Investment rate of return*	7.45%

* Net of pension plan investment expense, including inflation.

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages <65, 96% ages >= 65, Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male:+7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

The actuarial assumptions used in the September 30, 2021, valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	5.0%	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.00%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2021	<u>\$ 142,528,606</u>	<u>\$ 100,148,286</u>	<u>\$ 42,380,320</u>
Changes for the year:			
Service cost	3,621,613	-	3,621,613
Interest	10,346,798	-	10,346,798
Changes of benefit terms	103,645	-	103,645
Difference between expected and actual experience	3,233,479	-	3,233,479
Contributions - employer	-	4,220,692	(4,220,692)
Contributions - employee	-	2,717,369	(2,717,369)
Net investment income	-	(12,796,248)	12,796,248
Benefit payments, including refunds of employee contributions	(7,290,814)	(7,290,814)	-
Transfers among employers	170,577	170,577	-
Net changes	<u>10,185,298</u>	<u>(12,978,424)</u>	<u>23,163,722</u>
Balances at September 30, 2022	<u>\$ 152,713,904</u>	<u>\$ 87,169,862</u>	65,544,042
Less: Public Park & Recreation Board			<u>(258,456)</u>
Total primary government			<u>\$ 65,285,586</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.45%, 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 (6.45%) or 1 percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City's net pension liability	<u>\$ 85,554,118</u>	<u>\$ 65,544,042</u>	<u>\$ 48,922,558</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <https://www.rsa-al.gov/employers/financial-reports/gasb-68-reports/>.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2023, the City recognized pension expense of \$5,025,004. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,510,888	\$ -
Changes of assumptions	4,010,066	-
Net difference between projected and actual earnings on pension plan investments	10,554,323	89,597
Employer contributions subsequent to the measurement date	4,729,851	-
	25,805,128	89,597
Less: Public Park & Recreation Board	(119,232)	(5,065)
Total primary government	\$ 25,685,896	\$ 84,532

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

Year ended September 30:

2024	\$ 5,927,074
2025	\$ 4,733,704
2026	\$ 4,055,644
2027	\$ 5,872,164
2028	\$ 397,094
Thereafter	\$ -

COMPONENT UNITS

Board of Education

Plan Description. The ABOE employees are members of the Teachers' Retirement System of Alabama (TRS). The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to *the Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). *The Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service, up to 80% of their average final compensation.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member, as reported to the Plan for the preceding year ending June 30, are paid to a qualified beneficiary.

Contributions. Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$7,613,607 for the year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2023, the Board reported a liability of \$112,715,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the Board's proportion was 0.725287%, which was an increase of 0.010642% from its proportion measured as of September 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

For the year ended September 30, 2023, the Board recognized pension expense of \$15,323,487. At September 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,478,000	\$ 2,735,000
Changes of assumptions	5,115,000	-
Net difference between projected and actual earnings on pension plan investments	22,618,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,722,000	162,000
Employer contributions subsequent to the measurement date	7,613,607	-
	\$ 40,546,607	\$ 2,897,000

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date (\$7,613,607) will be recognized as a reduction of the net pension liability in the year ended September 30, 2024.

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:

2024	\$	9,083,000
2025		7,234,000
2026		4,504,000
2027		9,215,000
2028		-
Thereafter		-

Actuarial Assumptions. The total pension liability as of September 30, 2022, was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return*	7.45%
Projected salary increases	3.25%-5.00%

*Net of pension plan investment expense, including inflation.

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66 2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+) /</u>	<u>Adjustment to Rates</u>
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: +2	Male: 108% ages <63, 96% ages >67; Phasing down 63-67 Female: 112% ages <69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	2.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.00%

Discount Rate. The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Sensitivity of the Board's Proportionate Share of Net Pension Liability to Changes in the Discount Rate. The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Board's proportionate share of collective net pension liability	\$ 145,849,000	\$ 112,715,000	\$ 84,806,000

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <https://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Water Works Board

The Water Works Board of the City of Auburn (AWWB) also contributes to the Employees' Retirement System of Alabama under the same plan description and statutory requirements as the City.

For the year ended September 30, 2023, AWWB's active employee contribution rate was 3.48% of covered employee payroll, and AWWB's average contribution rate to fund the normal and accrued liability costs was 2.95% of pensionable payroll.

The AWWB's contractually required contribution rate for the year ended September 30, 2023 was 6.01% of pensionable pay for Tier 1 employees and 3.53% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the AWWB were \$94,490 for the year ended September 30, 2023.

Net Pension Liability. The AWWB's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) TPL as of September 30, 2021	\$ 4,872,125	\$ 4,768,614	\$ 4,776,023
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	129,642	129,642	129,809
(d) Transfers Among Employers	-	76,073	76,073
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(163,978)	(163,978)	(163,978)
(f) TPL as of September 30, 2022 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	\$ 5,194,654	\$ 5,159,504	\$ 5,167,633

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2021	\$ 4,872,125	\$ 4,711,780	\$ 160,345
Changes for the year:			
Service cost	129,642	-	129,642
Interest	356,865	-	356,865
Changes of benefit terms	8,129	-	8,129
Difference between expected and actual experience	(111,223)	-	(111,223)
Contributions - employer	-	78,032	(78,032)
Contributions - employee	-	90,784	(90,784)
Net investment income	-	(607,761)	607,761
Benefit payments, including refunds of employee contributions	(163,978)	(163,978)	-
Transfers among employers	76,073	76,073	-
Net changes	<u>295,508</u>	<u>(526,850)</u>	<u>822,358</u>
Balances at September 30, 2022	<u>\$ 5,167,633</u>	<u>\$ 4,184,930</u>	<u>\$ 982,703</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents AWWB's net pension liability calculated using the discount rate of 7.45%, as well as what AWWB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.45%) or 1 percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Net pension liability (asset)	<u>\$ 1,621,797</u>	<u>\$ 982,703</u>	<u>\$ 446,929</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2023, the AWWB recognized pension expense/(income) of \$34,368. At September 30, 2023, AWWB reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 170,117	\$ 219,854
Changes of assumptions	143,152	-
Net difference between projected and actual earnings on plan investments	499,505	-
Employer contributions subsequent to the measurement date	87,826	-
Total	<u>\$ 900,600</u>	<u>\$ 219,854</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 13. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

Year ended September 30:

2024	\$120,103
2025	79,703
2026	121,775
2027	223,141
2028	29,626
Thereafter	18,572

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS

CITY OF AUBURN PRIMARY GOVERNMENT

The Water Works Board of the City of Auburn (AWWB) and the Public Park and Recreation Board (PPRB), two component units of the City of Auburn, participate in The City of Auburn's General Employees' OPEB plan. All descriptions, policies, costs, methods and assumptions described below apply to the City, as well as the AWWB and PPRB, and their employees.

General Information about the OPEB Plan

Plan description – The City of Auburn (the City) provides certain continuing health care and life insurance benefits for its retired employees. The City of Auburn's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Statement 75.

Benefits provided – Medical and dental benefits are provided through a comprehensive medical benefit plan. The plan provisions are contained in the official plan documents. Medical and dental benefits are provided to employees upon actual retirement. To qualify for those retiree benefits, retirees must be eligible to retire under the provisions of the Retirement System of Alabama – Employees' Retirement System (RSA). The retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I members").

Employees covered by benefit terms – As of the measurement date September 30, 2023, the following employees were covered by the benefit terms:

	General Fund	Sewer Fund	Solid Waste Management Fund	Total Primary Government	Water Works Board	Public Park and Recreation Board	Total
Inactive employees or beneficiaries currently receiving benefit payments	34	2	2	38	2	1	41
Active plan members	451	13	31	495	25	3	523
Total	485	15	33	533	27	4	564

Total OPEB Liability

The total OPEB liability is \$5,639,372 as of the measurement date September 30, 2023, the end of the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Actuarial assumptions and other inputs – The total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% annually
Salary increases	4.0%, annually
Discount rate	4.02% annually (Beginning of Year to determine ADC) 4.09%, annually (As of End of Year Measurement Date) 2.43%, annually (9/30/2021 valuation by former actuary)
Healthcare cost trend rates	2.5% annually
Mortality	RP-2000 combined mortality table without projection

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2023, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2023, valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009, to September 30, 2023.

Changes in the Total OPEB Liability

	General Fund	Sewer Fund	Solid Waste Management Fund	Total Primary Government	Water Works Board	Public Park and Recreation Board	Total
Total OPEB Liability 9/30/2022	\$ 4,563,513	\$ 255,409	\$ 252,750	\$ 5,071,672	\$ 221,667	\$ 27,849	\$ 5,321,188
Changes for the year:							
Service cost	94,703	2,929	6,443	104,075	5,272	781	110,128
Interest	174,607	5,400	11,881	191,888	9,720	1,440	203,048
Changes in assumptions	(34,985)	(1,082)	(2,380)	(38,447)	(1,947)	(288)	(40,682)
Differences between expected and actual experience	504,016	15,588	34,294	553,898	28,059	4,157	586,114
Benefit payments	(464,726)	(14,373)	(31,621)	(510,720)	(25,871)	(3,833)	(540,424)
Net change in total OPEB liability	273,615	8,462	18,617	300,694	15,233	2,257	318,184
Total OPEB Liability 9/30/2023	\$ 4,837,128	\$ 263,871	\$ 271,367	\$ 5,372,366	\$ 236,900	\$ 30,106	\$ 5,639,372
Plan fiduciary net position 9/30/2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes for the year:							
Contributions - employer	464,726	14,373	31,621	510,720	25,871	3,833	540,424
Benefit payments	(464,726)	(14,373)	(31,621)	(510,720)	(25,871)	(3,833)	(540,424)
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position 9/30/2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a % of total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 29,863,556	\$ 923,615	\$ 2,031,953	\$ 32,819,124	\$ 1,662,507	\$ 246,297	\$ 34,727,928
Total OPEB liability as % of covered employee payroll	16.20%	28.57%	13.35%	16.37%	14.25%	12.22%	16.24%

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
General Fund	\$ 5,868,103	\$ 4,837,128	\$ 4,039,637
Sewer Fund	320,112	263,871	220,367
Solid Waste Management Fund	329,206	271,367	226,627
Total primary government	6,517,421	5,372,366	4,486,631
Water Works Board	287,392	236,900	197,843
Public Park and Recreation Board	36,523	30,106	25,142
Total	\$ 6,841,336	\$ 5,639,372	\$ 4,709,616

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (1.5%) or 1-percentage-point higher (3.5%) than the current healthcare trend rates:

	1% Decrease (1.50%)	Healthcare Cost Current Trend (2.50%)	1% Increase (3.50%)
General Fund	\$ 4,130,347	\$ 4,837,128	\$ 5,757,377
Sewer Fund	225,315	263,871	314,072
Solid Waste Management Fund	231,716	271,367	322,994
Total primary government	4,587,378	5,372,366	6,394,443
Water Works Board	202,285	236,900	281,969
Public Park and Recreation Board	25,707	30,106	35,834
Total	\$ 4,815,370	\$ 5,639,372	\$ 6,712,246

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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

For the year ended September 30, 2023, OPEB expense of \$555,209 was recognized. At September 30, 2023, reported deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	Deferred Outflows of Resources						
	General	Sewer	Solid Waste	Total	Water	Public Park	Total
	Fund	Fund	Management	Primary	Works	and Recreation	
	Fund	Fund	Fund	Government	Board	Board	
Differences between expected and actual experience	\$1,803,991	\$ 98,819	\$ 109,718	\$ 2,012,528	\$ 103,400	\$ 14,065	\$ 2,129,993

	Deferred Inflows of Resources						
	General	Sewer	Solid Waste	Total	Water	Public Park	Total
	Fund	Fund	Management	Primary	Works	and Recreation	
	Fund	Fund	Fund	Government	Board	Board	
Change of assumptions or other inputs	\$1,439,040	\$ 47,421	\$ 94,598	\$ 1,581,059	\$ 79,809	\$ 11,638	\$ 1,672,506

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

	General	Sewer	Solid Waste	Total	Water	Public Park	Total
	Fund	Fund	Management	Primary	Works	and Recreation	
	Fund	Fund	Fund	Government	Board	Board	
Year ended September 30:							
2024	\$ 193,075	\$ 27,192	\$ 7,999	\$ 228,266	\$ 12,481	\$ 1,284	\$ 242,031
2025	193,729	27,284	8,026	229,039	12,523	1,288	242,850
2026	209,306	29,478	8,672	247,455	13,530	1,392	262,377
2027	(62,138)	(8,751)	(2,574)	(73,464)	(4,017)	(413)	(77,894)
2028	(169,020)	(23,804)	(7,003)	(199,826)	(10,926)	(1,124)	(211,876)
Thereafter	-	-	-	-	-	-	-

COMPONENT UNITS

Board of Education

General Information about the OPEB Plan

Plan Description. The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIP Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through the PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Annual Comprehensive Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455)* to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIP Board. The PEEHIP Board is a corporate body for purposes of management of the health insurance plan. *The Code of Alabama 1975, Section 16-25A-4* provides the PEEHIP Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the Alabama Retired Education Employees' Health Care Trust are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits provided. PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) replaced the Humana contract. The MAPHP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Contributions. The Code of Alabama 1975, Section 16-25A-8 and the Code of Alabama 1975, Section, 16-25A-8.1 provide the PEEHIP Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIP Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIP Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIP Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIP Board. This reduction in the employer contribution ceases upon notification to the PEEHIP Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2023, the ABOE reported a liability of \$14,113,919 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2021. The ABOE's proportion of the net OPEB liability was based on the ABOE's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the ABOE's proportion was .81000492%, which was an increase of .07233692% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the ABOE recognized OPEB expense of (\$6,720,560), with no special funding situations. At September 30, 2023, the ABOE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 647,321	\$ 28,537,186
Changes of assumptions	11,448,317	20,543,660
Net difference between projected and actual earnings on OPEB plan investments	1,774,960	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,551,404	3,771,697
Employer contributions subsequent to the measurement date	1,170,758	-
	\$ 21,592,760	\$ 52,852,543

Deferred outflows of resources related to OPEB resulting from ABOE contributions subsequent to the measurement date (\$1,170,758) will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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

Year ended September 30:	
2024	\$ (7,896,934)
2025	(8,432,449)
2026	(4,042,365)
2027	(3,756,492)
2028	(5,201,986)
Thereafter	(3,100,315)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.00%
Municipal bond index rate at the measurement date	4.40%
Municipal bond index rate at the prior measurement date	2.29%
Projected year for Fiduciary Net Position (FNP) to be depleted	N/A
Single equivalent interest rate at the measurement date	7.00%
Single equivalent interest rate at the prior measurement date	3.97%
Healthcare cost trend rate	
Initial trend rate	
Pre-Medicare eligible	6.50%
Medicare eligible	***
Ultimate trend rate	
Pre-Medicare eligible	4.5% in 2031
Medicare eligible	4.5% in 2027

*Includes 2.75% wage inflation.

**Compounded annually, net of investment expense, and includes inflation.

***Initial Medicare claims are set based on scheduled increases through plan year 2025.

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66 2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+) / Setback(-)</u>	<u>Adjustment to Rates</u>
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63-67 Female: 112% ages < 69 98% ages > 74 Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021, valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

*Geometric mean, includes 2.5% inflation

Discount Rate. The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per active member for participating employers. Approximately 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the Trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members were projected through 2120.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 14. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the Auburn City Board of Education's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following table presents the ABOE's proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Board's proportionate share of collective net OPEB liability	\$ 10,702,614	\$ 14,113,919	\$ 18,297,565

The following table presents the ABOE's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of collective net OPEB liability	\$ 17,449,777	\$ 14,113,919	\$ 11,313,566

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is in the Trust's financial statements for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 15. WORKERS' COMPENSATION SELF-INSURANCE

The City has retained risk of loss for workers' compensation claims. These risks are accounted for as governmental activities of the primary government. The following is a schedule of changes in claims liabilities during the past two fiscal years:

	Fiscal Year	
	2023	2022
Unpaid claims, beginning of year	\$ 1,407,484	\$ 1,162,796
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	644,060	477,390
Increases (decreases) in provision for prior year's events where the City has retained risk of loss	(119,107)	239,228
Total incurred claims	524,953	716,618
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(113,085)	(216,356)
Claims attributable to prior years' events where the City has retained risk of loss	(224,487)	(255,574)
Total payments	(337,572)	(471,930)
Unpaid claims, end of year	\$ 1,594,865	\$ 1,407,484

Total liability for uninsured workers' compensation claims at September 30, 2023, is recorded as follows: \$48,151 is recorded as a current liability in the General Fund's current portion of long-term debt, unrestricted, and the long-term portion, \$1,546,714, along with the estimated liability for insured risks of \$136,097, is recorded in the primary government's governmental activities' long-term debt and other liabilities in the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 16. MEDICAL SELF-INSURANCE

The City has chosen to retain risk of loss relating to medical claims of City employees and their covered dependents. These risks are accounted for in the General Fund. The following is a schedule of changes in medical claims liabilities during the past two fiscal years:

	Fiscal Year	
	2023	2022
Unpaid claims, beginning of year	\$ 304,596	\$ 335,597
Incurred claims (including claims incurred but not reported at September 30):		
Provision for current year events where the City has retained risk of loss	7,545,808	7,812,902
Increases (decreases) in provision for prior years' events where the City has retained risk of loss	(304,596)	(335,597)
Total incurred claims	7,241,212	7,477,305
Payments:		
Claims attributable to current year events where the City has retained risk of loss	(6,619,909)	(7,055,166)
Claims attributable to prior years' events where the City has retained risk of loss	(371,613)	(453,140)
Total payments	(6,991,522)	(7,508,306)
Unpaid claims, end of year (includes claims incurred but not reported)	\$ 554,286	\$ 304,596

The unpaid claims as of September 30, 2023, are reported in the General Fund.

NOTE 17. UNEMPLOYMENT COMPENSATION

The City of Auburn uses the reimbursement method of unemployment compensation. The actual amount paid in the fiscal year ended September 30, 2023, by the State of \$3,751 to individuals is reflected as an expense of the General Fund.

NOTE 18. AD VALOREM TAX COLLECTION EXPENSE

The City is charged a collection fee by the County Revenue Commissioner for the collection of the 26-mill ad valorem taxes and auto taxes. The following is a summary of taxes collected and related expenses for the year ended September 30, 2023:

Funds	Millage	Taxes Collected	Collection Fee	Reappraisal Costs	Net Received by the City
General Fund	5	\$ 7,766,866 *	\$ 175,349	\$ 79,022	\$ 7,512,495
Special 5-Mill Tax Fund	5	7,749,088 **	175,349	79,022	7,494,717
Special School Tax Fund	16	26,874,068	602,654	271,684	25,999,730
Property tax totals	26	\$ 42,390,022	\$ 953,352	\$ 429,728	\$ 41,006,942

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

** Reduced by industrial tax exemptions.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Primary government interfund receivables and payables for the year ended September 30, 2023, consist of the following:

<u>Amount</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Purpose</u>
\$ 118,316	General Fund	Nonmajor Governmental Funds	Provide cash flow for capital projects and grant programs
672,204	General Fund	2022 Capital Projects Fund	Provide cash flow for capital projects
4,505,771	General Fund	2023 Capital Projects Fund	Provide cash flow for capital projects
<u>106,235</u>	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Provide cash flow for grant programs
<u>\$ 5,402,526</u>			

NOTE 20. INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended September 30, 2023:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund	\$ 910,547	\$ 78,609
Special School Tax Fund	-	9,886
2022 Capital Projects Fund	13,375	-
Nonmajor Governmental Funds	<u>529,663</u>	<u>1,308,961</u>
Total governmental activities	<u>1,453,585</u>	<u>1,397,456</u>
Major Proprietary Funds		
Sewer Fund	35,520	79,738
Solid Waste Management Fund	<u>43,089</u>	<u>55,000</u>
Total business-type activities	<u>78,609</u>	<u>134,738</u>
Total primary government	<u>\$ 1,532,194</u>	<u>\$ 1,532,194</u>

Interfund transfers are reported in the governmental activities and business-type activities fund financial statements. Interfund transfers are eliminated in the government-wide financial statements.

Transfers are used to (1) move revenues from funds accounting for revenues with a restricted purpose to funds expending resources for the restricted purpose, (2) move receipts restricted to debt service from the funds collecting the receipts to the funds making the payments as debt service payments become due, and (3) use unrestricted revenues collected in various funds to finance programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 20. INTERFUND TRANSFERS – CONTINUED

The purpose of transfers between funds for the year ending September 30, 2023, consist of the following:

Amount	Interfund Transfers In To	Interfund Transfers Out From	Purpose
\$ 778,000	General Fund	Nonmajor Governmental Funds (Gas Tax Funds)	Transfer amounts received in gas tax funds to the General Fund for street related projects paid from General Fund
71,250	General Fund	Sewer Fund	Budgeted appropriation for hydrant fees
1,297	General Fund	Nonmajor Capital Projects Fund (2018 Public Safety Complex Fund)	Transfer interest revenue to close capital projects fund
60,000	General Fund	Sewer Fund and Solid Waste Management Fund	Budgeted transfer to offset expenditures
13,375	2022 Capital Projects Fund	Special School Tax Fund and Sewer Fund	Transfer balance in bond proceeds accounts to capital projects fund
468,480	Nonmajor Special Revenue Funds (Community Development Block Grant Funds)	Nonmajor Special Revenue Funds (Federal Grant Loan Repayment Funds)	Budgeted transfer to offset expenditures
61,133	Nonmajor Special Revenue Funds (Federal Grant Loan Repayment Funds)	Nonmajor Special Revenue Funds (Community Development Block Grant Funds)	Reimbursement of interest for Section 108 loan from HUD
50	Nonmajor Special Revenue Funds (Community Development Block Grant Funds)	Nonmajor Special Revenue Funds (Community Development Block Grant Funds)	Correction of expenditure to correct fund
35,520	Sewer Fund	General Fund	To departmentalize workers compensation claims
43,089	Solid Waste Management Fund	General Fund	To departmentalize workers compensation claims
<u>\$ 1,532,194</u>			

NOTE 21. INTRA-ENTITY TRANSACTIONS

The following schedules provide details of various transactions between the primary government and discretely presented component units.

A. Short-term receivables and payables

Component Units	<u>Due To</u>	<u>Due From</u>
Auburn City Board of Education	\$ -	\$ 942,827
Water Works Board	1,091,835	47,781
Primary Government		
General Fund	28,835	528,203
Special School Tax Fund	942,827	-
Sewer Fund	17,804	445,547
Solid Waste Management Fund	1,142	118,085
Total	<u>\$ 2,082,443</u>	<u>\$ 2,082,443</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 21. INTRA-ENTITY TRANSACTIONS – CONTINUED

Amounts loaned from the City of Auburn to its component units represent reimbursements due for operating expenses, and repayment will be made from operating revenues in the next fiscal period.

B. Payments between the City and Component Units

	Appropriations To	Payments From
Primary Government		
General Fund	\$ -	\$ 22,276,116
Special School Tax Fund	-	14,938,037
Component Units		
Auburn City Board of Education	33,201,371	-
Industrial Development Board	3,494,499	-
Public Park and Recreation Board	518,283	-
Total	\$ 37,214,153	\$ 37,214,153

Payments from the City to its component units consist primarily of funding for routine operating expenses and debt service payments. The payments between the City and its component units do not balance in the fund financial statements due to a difference in the measurement focus and basis of accounting between governmental funds and proprietary-type component units.

The City appropriated \$33,201,371 to the Board of Education during the year, \$26,880,136 of which is reported as unrestricted appropriations from the City with the balance of \$6,321,235 reported as property tax revenue. In addition to these scheduled payments, the City makes debt service payments on behalf of the Board of Education that are not recorded as payments to that component unit. The debt payments (including bond trustee fees) paid on behalf of the Board of Education and reflected in the City's financial statements as debt service expenditures totaled \$15,028,180.

The City appropriated \$3,494,499 to the Industrial Development Board for the purchase of property and various operating purposes, including industrial recruitment, commercial development, workforce development, and other general operating expenses.

NOTE 22. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND

To facilitate the reporting of special revenue funds, several special revenue funds with operations that are very similar in nature, have been combined and reported as a single fund in the combining and individual nonmajor fund financial statements.

In previous years, the City received various Housing Development Assistance Grant Program (HODAG) and Urban Development Action Grant (UDAG) federal grants which were used to make loans to private entities to be used for housing and business development activities within the City. As the City receives repayments from these loans, the repayments of funds may be expended for Title I eligible purposes. The City is using some of these repayments to make loans and grant incentives to private entities and individuals for further housing and business development activities. Loans made under contracts for the Micro-Loan Program and the Commercial and Industrial Loan Program will produce repayments which the City will use in the same manner as described above. Based on their related purposes and activities, the following special revenue funds are presented as a single fund entitled the Federal Grant Loan Repayment Fund: the Shelton Park UDAG Fund, the Revolving Loan Fund, the Affordable Housing Fund, the CDBG RLF Housing Rehab Loan Program Fund, the CDBG RLF Affordable Housing Loan Program Fund and the Section 108 Loan Program Fund.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 22. REPORTING OF FEDERAL GRANT LOAN REPAYMENT SPECIAL REVENUE FUND – CONTINUED

Selected financial information for the sub-funds of the Federal Grant Loan Repayment Fund for the current fiscal year is as follows:

	Shelton Park UDAG*	Revolving Loan*	Affordable Housing*	Housing Rehab Loan*	Affordable Housing Loan*	Section 108 Loan Program*	Total
Assets							
Cash and cash equivalents	\$ 41,515	\$ 1,037	\$ 56,002	\$ 1,577	\$ 10,156	\$ -	\$ 110,287
Investments	-	-	-	-	-	1,348,082	1,348,082
Receivables, net	-	-	-	-	281,523	757	282,280
Mortgages receivable	12,729	-	80,614	732,635	444,338	302,280	1,572,596
Restricted cash	-	-	-	-	-	49,428	49,428
Total assets	<u>54,244</u>	<u>1,037</u>	<u>136,616</u>	<u>734,212</u>	<u>736,017</u>	<u>1,700,547</u>	<u>3,362,673</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts payable and accrued liabilities	-	-	-	122	-	-	122
Due to other funds	-	-	-	-	106,235	-	106,235
Unearned revenue	13,179	-	80,663	732,635	444,345	289,755	1,560,577
Total liabilities	<u>13,179</u>	<u>-</u>	<u>80,663</u>	<u>732,757</u>	<u>550,580</u>	<u>289,755</u>	<u>1,666,934</u>
Fund balance:							
Restricted - social & economic	41,065	1,037	55,953	1,455	185,437	1,410,792	1,695,739
Total liabilities and fund balance	<u>54,244</u>	<u>1,037</u>	<u>136,616</u>	<u>734,212</u>	<u>736,017</u>	<u>1,700,547</u>	<u>3,362,673</u>
Revenues							
Program income	-	-	2,402	31,820	302,022	79,747	415,991
Interest	519	13	4,387	-	8,717	45,086	58,722
Net increase (decrease) in fair value of investments	-	-	-	-	-	25,097	25,097
Miscellaneous	-	-	42	88	368	-	498
Total revenues	<u>519</u>	<u>13</u>	<u>6,831</u>	<u>31,908</u>	<u>311,107</u>	<u>149,930</u>	<u>500,308</u>
Expenditures							
Economic development	-	-	-	-	-	10	10
Debt service - principal	-	-	-	-	-	179,000	179,000
Debt service - interest	-	-	-	-	-	61,133	61,133
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,143</u>	<u>240,143</u>
Excess (deficiency) of revenues over expenditures	<u>519</u>	<u>13</u>	<u>6,831</u>	<u>31,908</u>	<u>311,107</u>	<u>(90,213)</u>	<u>260,165</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	61,133	61,133
Transfers out	-	-	-	(31,470)	(437,010)	-	(468,480)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,470)</u>	<u>(437,010)</u>	<u>61,133</u>	<u>(407,347)</u>
Net changes in fund balance	<u>519</u>	<u>13</u>	<u>6,831</u>	<u>438</u>	<u>(125,903)</u>	<u>(29,080)</u>	<u>(147,182)</u>
Fund balance, beginning of year	40,546	1,024	49,122	1,017	311,340	1,439,872	1,842,921
Fund balance, end of year	<u>\$ 41,065</u>	<u>\$ 1,037</u>	<u>\$ 55,953</u>	<u>\$ 1,455</u>	<u>\$ 185,437</u>	<u>\$ 1,410,792</u>	<u>\$ 1,695,739</u>

*Net of interfund eliminations.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 23. REPORTING OF PUBLIC SAFETY SUBSTANCE ABUSE SPECIAL REVENUE FUND

Beginning in fiscal year 2000, City management created the State Funded Seizures Special Revenue Fund for internal reporting purposes. The fund's purpose is to separately track police seizure revenues that are from state government sources. Because its operations are very similar in nature to those accounted for in the Public Safety Substance Abuse Special Revenue Fund, those activities have been combined and reported as a single fund in the basic financial statements. Selected financial information for the sub-funds of the Public Safety Substance Abuse Special Revenue Fund is shown below, net of interfund eliminations:

	<u>State Funded Seizures</u>	<u>Public Safety Substance Abuse (other seizures)</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 112,945	\$ 104,101	\$ 217,046
Total assets	<u>112,945</u>	<u>104,101</u>	<u>217,046</u>
Liabilities and fund balance			
Accounts payable and accrued liabilities	6,920	-	6,920
Unearned revenue	-	38,650	38,650
Total liabilities	<u>6,920</u>	<u>38,650</u>	<u>45,570</u>
Fund balance			
Restricted - law enforcement	<u>106,025</u>	<u>65,451</u>	<u>171,476</u>
Total liabilities and fund balance	<u><u>112,945</u></u>	<u><u>104,101</u></u>	<u><u>217,046</u></u>
Revenues			
Contributions from the public	5,070	5,892	10,962
Interest	<u>1,393</u>	<u>1,321</u>	<u>2,714</u>
Total revenues	<u>6,463</u>	<u>7,213</u>	<u>13,676</u>
Expenditures			
Public safety	<u>14,083</u>	<u>7,213</u>	<u>21,296</u>
Total expenditures	<u>14,083</u>	<u>7,213</u>	<u>21,296</u>
Excess (deficiency) of revenues over expenditures			
	<u>(7,620)</u>	<u>-</u>	<u>(7,620)</u>
Net changes in fund balances	(7,620)	-	(7,620)
Fund balance, beginning of year	<u>113,645</u>	<u>65,451</u>	<u>179,096</u>
Fund balance, end of year	<u><u>\$ 106,025</u></u>	<u><u>\$ 65,451</u></u>	<u><u>\$ 171,476</u></u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES

For managerial accounting purposes, several activities reported in the City of Auburn's General Fund are recorded in sub-funds. Selected financial information for these various activities for the current fiscal year (as reflected in the governmental fund financial statements) is shown below, net of related eliminating entries:

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Assets					
Cash and cash equivalents	\$ 11,499,593	\$ 2,047,369	\$ 552,321	\$ 611,545	\$ 14,710,828
Certificates of deposit	9,605,100	273,425	-	-	9,878,525
Investments	51,745,704	-	-	-	51,745,704
Receivables, net	14,372,417	217	5,359	-	14,377,993
Due from other funds	5,296,291	-	-	-	5,296,291
Due from component units	500,275	-	27,928	-	528,203
Inventories	343,290	-	-	-	343,290
Prepaid items	3,715,598	-	-	136,217	3,851,815
Restricted cash	529,859	-	-	-	529,859
Property for resale	4,131,127	-	-	-	4,131,127
Total assets	<u>101,739,254</u>	<u>2,321,011</u>	<u>585,608</u>	<u>747,762</u>	<u>105,393,635</u>
Liabilities					
Accounts payable and accrued liabilities	5,435,139	-	199,785	-	5,634,924
Due to component units	28,804	-	31	-	28,835
Customer deposits	218,435	-	-	-	218,435
Claims payable	-	-	554,285	124,249	678,534
Unearned revenue	1,057,497	2,277,317	-	-	3,334,814
Total liabilities	<u>6,739,875</u>	<u>2,277,317</u>	<u>754,101</u>	<u>124,249</u>	<u>9,895,542</u>
Fund balances					
Nonspendable					
Inventories	343,290	-	-	-	343,290
Prepaid items	3,715,598	-	-	-	3,715,598
Property for resale	4,131,127	-	-	-	4,131,127
Restricted					
Law enforcement	529,859	-	-	-	529,859
Committed					
Investments	1,103,656	-	-	-	1,103,656
Assigned					
General	31,902,963	33,161	160,367	25,000	32,121,491
Unassigned	62,446,219	9,711	(9,453,860)	551,002	53,553,072
Total fund balances	<u>104,172,713</u>	<u>42,872</u>	<u>(9,293,493)</u>	<u>576,002</u>	<u>95,498,093</u>
Total liabilities and fund balances	<u>\$ 110,912,588</u>	<u>\$ 2,320,189</u>	<u>\$ (8,539,392)</u>	<u>\$ 700,251</u>	<u>\$ 105,393,635</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	General Government Operations	Special Improvement Projects	Employee Benefit Risk Financing	General Liability Risk Financing	Total (Net of Eliminations)
Revenues					
Sales and use taxes	\$ 61,290,146	\$ -	\$ -	\$ -	\$ 61,290,146
Occupational license fees	17,779,298	-	-	-	17,779,298
Motor fuel taxes	985,729	-	-	-	985,729
Lodging taxes	4,211,007	-	-	-	4,211,007
Rental and leasing taxes	867,514	-	-	-	867,514
Other taxes	414,915	-	-	-	414,915
Licenses and permits	18,368,518	-	-	-	18,368,518
General property tax	8,901,489	-	-	-	8,901,489
Charges for services	10,055,423	-	5,305,384	-	15,360,807
Fines and forfeitures	691,372	-	-	-	691,372
State shared taxes	7,796,111	-	-	-	7,796,111
Contributions from the public	348,231	33,583	-	-	381,814
Interest	1,961,882	-	23,796	7,752	1,993,430
Miscellaneous	320,092	-	545,824	-	865,916
Total revenues	<u>133,991,727</u>	<u>33,583</u>	<u>5,875,004</u>	<u>7,752</u>	<u>139,908,066</u>
Expenditures					
General government and administration	6,680,545	-	-	-	6,680,545
Public works	4,774,355	-	-	-	4,774,355
Environmental services	1,898,796	-	-	-	1,898,796
Public safety	30,558,458	-	-	-	30,558,458
Library	2,833,898	-	-	-	2,833,898
Parks and recreation	7,424,682	-	-	-	7,424,682
Development services	6,188,060	-	-	-	6,188,060
Social and economic development	4,319,104	-	-	-	4,319,104
Human resources	1,100,404	-	9,083,086	-	10,183,490
Risk management	394,689	-	-	156,357	551,046
Total departmental	<u>66,172,991</u>	<u>-</u>	<u>9,083,086</u>	<u>156,357</u>	<u>75,412,434</u>
Non-departmental	3,718,814	-	-	-	3,718,814
Debt service:					
Administrative charges	1,437	-	-	-	1,437
Interest	3,998,798	-	2,685	-	4,001,483
Principal retirement	5,479,690	-	48,589	-	5,528,279
Capital outlay	16,154,530	33,583	-	-	16,188,113
Intergovernmental	3,145,290	-	-	-	3,145,290
Payments to component units	<u>22,276,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,276,116</u>
Total expenditures	<u>120,947,666</u>	<u>33,583</u>	<u>9,134,360</u>	<u>156,357</u>	<u>130,271,966</u>
Excess (deficiency) of revenues over expenditures	<u>13,044,061</u>	<u>-</u>	<u>(3,259,356)</u>	<u>(148,605)</u>	<u>9,636,100</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 24. REPORTING OF GENERAL FUND ACTIVITIES - CONTINUED

	<u>General Government Operations</u>	<u>Special Improvement Projects</u>	<u>Employee Benefit Risk Financing</u>	<u>General Liability Risk Financing</u>	<u>Total (Net of Eliminations)</u>
Other financing sources (uses)					
Leases (as lessee)	30,301	-	-	-	30,301
Subscriptions	2,142,715	-	-	-	2,142,715
Sale of surplus assets	1,442,061	-	-	-	1,442,061
Transfers in	850,547	-	-	60,000	910,547
Transfers out	<u>(78,609)</u>	-	-	-	<u>(78,609)</u>
Total other financing sources (uses)	<u>4,387,015</u>	-	-	<u>60,000</u>	<u>4,447,015</u>
Net changes in fund balances	17,431,076	-	(3,259,356)	(88,605)	14,083,115
Fund balances, beginning of year	<u>86,741,637</u>	<u>42,872</u>	<u>(6,034,137)</u>	<u>664,607</u>	<u>81,414,979</u>
Fund balances, end of year	<u>\$ 104,172,713</u>	<u>\$ 42,872</u>	<u>\$ (9,293,493)</u>	<u>\$ 576,002</u>	<u>\$ 95,498,094</u>

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES

CITY OF AUBURN PRIMARY GOVERNMENT

Commitments - The City was committed under certain construction contracts for various general government projects. The aggregate amount of such commitments was \$29,072,287 as of September 30, 2023.

As of September 30, 2023, encumbered expenditures in governmental funds were as follows:

General Fund	\$ 1,870,664
Special School Tax Fund	<u>806</u>
Total governmental activities	<u>1,871,470</u>
Major Proprietary Fund	
Sewer Fund	75,433
Solid Waste Management Fund	<u>781,354</u>
Total major proprietary funds	<u>856,787</u>
Total primary government	<u>\$ 2,728,257</u>

The City contracts with Veolia Water North America Operating Services, LLC for the operation, management and maintenance of the City's publicly owned wastewater treatment facilities. The original contract, dated February 5, 2002, and amended November 16, 2010, was effective until January 1, 2020. The City approved a third amended and restated agreement with Veolia effective January 2, 2020, through January 1, 2030, with the same basic cost structure and operating fee calculation as the previous agreements. Under the agreement, the City pays for the cost of operations plus a management fee based on a percentage of the cost of operations. The operating fee is calculated annually based upon the facilities budget for the year and paid in monthly installments to Veolia. A true-up is conducted annually to adjust the budgeted payments to actual costs. During fiscal year 2023, the City paid Veolia \$2,304,968 to operate the wastewater facilities.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

In September 2004, the City signed an agreement with Lee County, Alabama for the County to provide jail services to the City. In addition to a per inmate charge, the City agreed to assist the County with funding for its jail expansion project. The City agreed to make annual appropriations provided that the payments can be made from current revenues budgeted and appropriated for such purpose.

Provided that this restriction is met, the following payments would be made to the County:

Fiscal Year	Appropriation
2024	\$ 357,875
2025	358,518
Total	<u>\$ 716,393</u>

In July 2006, the City entered into a development, funding and cooperation agreement with Auburn University and the Public Park and Recreation Board of the City of Auburn. The agreement provided for the construction of a tennis facility on approximately 11.21 acres of City owned land to include both an Auburn City tennis facility and an Auburn University tennis facility. The costs for constructing the tennis facilities were paid from general obligation bonds and warrants. The entire complex is being leased by the City to the Park Board for a period of twenty years. The Park Board subleases the University tennis facility to Auburn University, also for a period of twenty years. The tennis complex was completed in August 2007.

Claims and Litigation - As of September 30, 2023, the City was not named defendant in any pending lawsuits.

In fiscal year 2023, the City expended \$401,038 in payment of claims and judgments and legal costs associated therewith. These expenditures are included in the General Fund as current expenditures for Risk Management.

Contingency: Audit of Federal and State Grants - The City received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City Management believes such disallowances, if any, will be immaterial.

COMPONENT UNITS

Board of Education

Commitments

At September 30, 2023, the ABOE had six remaining commitments on uncompleted contracts for various construction and development projects, which are being funded, in part, with proceeds from bonds issued by the City of Auburn, as follows:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>
ACS Master Plan 2028 - Warranty	\$ 80,529	\$ 30,000	\$ 50,529
AJHS Card Reader	232,600	224,600	8,000
AHS Baseball/Softball Improvements	1,412,980	292,147	1,120,833
East Samford Building Improvements	1,090,872	862,529	228,343
New Auburn High School	9,067,187	1,293,030	7,774,157
Real Estate Purchase	70,000	-	70,000
Total	<u>\$ 11,954,168</u>	<u>\$ 2,702,306</u>	<u>\$ 9,251,862</u>

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

Contingent Liabilities

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

The ABOE is involved in several ongoing legal matters. Although the outcome of these matters is not presently determinable and the amount of losses, if any, cannot be reasonably estimated, Board management and counsel believe that resolution of these matters will not have a material adverse effect on the financial condition of the Board.

Water Works Board

Commitments - The Water Works Board has no commitments for construction projects in connection with system improvements as of September 30, 2023.

The Board entered into an agreement with the City of Opelika Water Board effective on June 1, 1983, for the right to purchase water from Opelika. The agreement had two commitments. First, the agreement provided that the Auburn Board would pay its proportionate share of the debt service on Opelika's Series 1983 bonds, plus its share of the bond issue costs, and an initial capital contribution. Auburn has fulfilled all these initial commitments. Second, Auburn would pay Opelika for the water it purchased based on its share of the production and transportation costs in relation to total production. In return for its payment of these amounts, Auburn's Board receives the right to purchase not greater than 3.6 million gallons of water per day. It is a 'take-or-pay' agreement with the first 138 million gallons annual amount set as a required minimum. The original agreement was set to expire in March of 2013; however, the Board approved the 20-year renewal (at no additional cost as set forth in the agreement) in October of 2012.

The Water Board also entered into an agreement in May 2011 to purchase water from Sandy Springs Farm II, LLC. The agreement included a land lease and permission to build and operate a well on property located on the farm. Construction was completed and Well No. 3 was placed in service May of 2012. The agreement includes a minimum annual purchase of 210,240,000 gallons per year at an initial rate of \$.50 per 1,000 gallons (\$105,120 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.63 per 1,000 gallons (\$132,451) for the year ended September 30, 2023. The term of the agreement is twenty years, with six five-year extension options. Total water pumped in fiscal 2023 was 419,416,000 gallons with a total annual payment of \$264,232.

The Water Board entered into an agreement in August 2018 to purchase water from Auburn H2O, LLC. Construction was completed and Well No. 4 was placed in service in December of 2020. The agreement includes a minimum annual purchase of 438,000,000 gallons per year at an initial rate of \$.40 per 1,000 gallons (\$175,200 per year), payable in monthly installments. This rate is subject to increase based on the Consumer Price Index and increased to \$.45 per 1,000 gallons (\$197,100) for the year ended September 30, 2023. The term of the agreement is twenty-five years, with eleven five-year extension options. Total water pumped in fiscal 2023 was 816,479,000 gallons.

In October of 2003 the Water Board entered into a Safe Harbor Agreement along with Martin Marietta Materials, Inc., The City of Auburn, the State of Alabama, the U.S. Fish and Wildlife Service and other landowners along Chewacla Creek to provide for the protection of certain endangered species. The agreement lays out minimal water discharge, maintenance, testing and reporting along the Chewacla Creek stream bank and bed. The requirements are pursuant to the Safe Harbor Policy for the "enrolled properties" which include the Martin Marietta Quarry, where the Water Board has agreed upon rights to pump water directly from the quarry basin to Lake Ogletree. The Safe Harbor agreement is for 30 years and subject to changes as required by federal laws and the health of the aquatic community.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 25. COMMITMENTS, LITIGATION AND CONTINGENCIES – CONTINUED

Industrial Development Board

Commitments - As of September 30, 2023, the Industrial Development Board (IDB) was committed under certain construction contracts in the approximate amount of \$130,000. Additionally, various incentive packages were committed to several companies as incentives to locate in Auburn or to expand existing operations. The incentives include property acquisition at discounted values; cash assistance for site preparation; relocation and training; rent subsidies; and tax abatements.

In a prior year, the IDB had committed approximately 13 +/- acres of property in Auburn Technology Park West to an industry for future expansion, if needed. The commitment expires in November 2023. The estimated value of the incentives is approximately \$390,000.

Contingencies - The IDB has received several state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, IDB management believes such disallowances, if any, will be immaterial.

NOTE 26. LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the City to place a final cover on its inert landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill closed in fiscal year 2000. Post closure care costs are paid only after the date that the landfill stops accepting waste; the City reports these post closure care costs in governmental activities' long-term debt and other liabilities. There were no expenditures for landfill closure and post closure care during fiscal year 2023. The \$84,000 reported as landfill post closure care liability in the governmental activities' long-term debt and other liabilities at September 30, 2023, represents estimated costs of post closure care based on what it would cost to perform all post closure care in 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 27. TAX ABATEMENTS

Property Tax Abatements - The City of Auburn provides property tax abatements pursuant to the provisions of Act No. 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975). Property tax abatements may be granted to an entity committing to a new project or major addition to an existing facility that equals the lesser of \$2 million or 30% of the original cost. Only certain NAICS codes qualify. Property taxes are abated by applying a reduced millage rate to the assessed value to determine the adjusted property tax due.

The City abates non-education ad valorem taxes and mortgage recording taxes, excluding those for the benefit of the East Alabama Medical Center or children's homes operated by Lee County, Alabama. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City's property tax revenues were reduced by \$634,311 during the reporting period as a result of these agreements. The City has not made any commitments as part of the agreements other than to reduce property taxes. No other entity grants abatements for City of Auburn property taxes.

Prior to Act No. 92-599, the City of Auburn provided property tax abatements under Act No. 49-648 and Act No. 51-756. To encourage industrial development, the City entered into leases with certain companies where no part of the project would be subject to property taxes. The City's property tax revenues were reduced by \$10,213 during the reporting period as a result of the remaining active agreements. The City has no additional commitments as part of the agreements other than to reduce property taxes.

Sales and Use Tax Abatements - The City of Auburn provides sales and use tax abatements pursuant to the provisions of Act No. 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975). Sales and use tax abatements may be granted to an entity committing to a new project or major addition to an existing facility that equals the lesser of \$2 million

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 27. TAX ABATEMENTS- CONTINUED

or 30% of the original cost. Only certain NAICS codes qualify. Sales and use taxes are abated by applying a reduced sales and use tax rate to the materials and/or equipment purchased. The City abates 8% of non-educational general sales and use taxes, and 3% of non-educational machinery in manufacturing sales and use taxes. The recipients of the tax abatements agree to take various development actions, including establishing and operating an industrial enterprise, installing and operating various machinery and personal property, and creating jobs. The City's sales and use tax revenues were reduced by \$8,881,854 during the reporting period as a result of these agreements. The City has not made any commitments as part of the agreements other than to reduce sales and use taxes. No other entity grants abatements for City of Auburn sales and use taxes.

The City of Auburn provides sales and use tax rebates through a commercial development incentive program pursuant to Amendment 772 to the Constitution of Alabama of 1901. A portion of sales and use taxes collected within a redeveloped area are rebated to an entity if certain development activities and improvements are performed, including façade enhancements, infrastructure improvements, and possible job creation. During the reporting period, \$1,862,702 was rebated under these agreements. The City's sales and use tax revenues were not reduced by this amount because the rebates were recorded as expenditures. The City has not made any commitments as part of the agreements other than to rebate a portion of sales and use taxes.

Sales and Lodging Tax Abatements - In fiscal year 2009, the City entered into an agreement with a commercial developer to provide for the use of future taxes to support the issuance of bonds for the purpose of constructing qualified public improvements as outlined in State of Alabama enabling legislation Chapter 99A and 99B, Title 11, Code of Alabama 1975. A portion of sales and lodging taxes (derived taxes) generated in this development is rebated to the developer to pay for debt service on the infrastructure improvements. During the reporting period, \$526,971 was rebated under this agreement. The City's sales and lodging tax revenues were not reduced by this amount because the rebates were recorded as expenditures. The City has not made any commitments as part of this agreement other than to rebate a portion of sales and use taxes and lodging tax. The agreement expires in 2039.

NOTE 28. SUBSEQUENT EVENTS

CITY OF AUBURN PRIMARY GOVERNMENT

The City has evaluated subsequent events through March 25, 2024, the date these financial statements were available to be issued.

Subsequent to September 30, 2023, the City Council approved various design and construction contracts totaling approximately \$8,909,000, professional services type contracts totaling approximately \$462,000, and equipment and computer software purchases totaling approximately \$4,932,000.

On November 7, 2023, the City Council authorized the transfer of budgeted funds of \$2,800,000 to the Industrial Development Board for the acquisition of approximately 160 acres of industrial property.

On November 7, 2023, the City Council authorized a loan of \$525,000 to the Indian Pines Public Park Authority for additional construction costs related to Pines Crossing Golf Course improvements.

COMPONENT UNITS

Board of Education

On October 10, 2023, the Board approved an owner-architect agreement in the amount of \$6,100 with LBYD, Inc. for drainage improvements at Duck Samford Stadium.

On November 14, 2023, the Board approved the following: 1) an owner-architect agreement in the amount of \$19,170 with Barganier Davis Williams Architects for bathroom renovations at Drake Middle School, 2) an owner-architect agreement in the amount of \$153,868 with Barganier Davis Williams Architects for renovations at East Samford School, and 3) a contract in the amount of \$2,939,800 with Pruitt Communications, Inc. for security cameras and door controller unit replacement for Auburn City Schools.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 28. SUBSEQUENT EVENTS – CONTINUED

On February 13, 2024, the Board approved the following: 1) an owner-architect agreement with Barganier Davis Williams Architects in the amount of \$16,465 for bathroom renovations at Auburn High School, 2) an owner-architect agreement with Barganier Davis Williams in the amount of \$226,723 for artificial turf and track resurfacing at Auburn High School, 3) an owner-architect agreement with Barganier Davis Williams in the amount of \$49,400 for HVAC replacement at Auburn Junior High School, and 4) an owner-architect agreement with Kadre Engineering, LLC in the amount of \$75,600 for new storm drainage infrastructure at Duck Samford Stadium.

On March 12, 2024, the Board approved the following: 1) an owner-architect agreement with Harvest Engineering, LLC in the amount of \$31,600 for the design and installation of a new videoboard and scoreboard for the basketball gym and new scoreboards for the baseball and softball fields at Auburn High School, 2) a contract with Gardner Flooring & Design in the amount of \$219,602 for new carpet and installation at Auburn Junior High School, 3) a contract with Huckaby Brothers Floor Covering in the amount of \$228,974 for new carpet and installation at Dean Road Elementary School, 4) a contract with Gardner Flooring & Design in the amount of \$213,116 for new carpet and installation at Wright's Mill Road Elementary School, 5) a contract with Gardner Flooring & Design in the amount of \$186,961 for new carpet and installation at Yarbrough Elementary School, and 6) a contract with C-Spire in the amount of \$4,171,956 for a system-wide network infrastructure upgrade.

Water Works Board

Subsequent to September 30, 2023, the Board approved equipment purchases totaling approximately \$502,968 and construction contracts totaling approximately \$152,730.

Industrial Development Board

In October 2023, the Board signed a purchase agreement to acquire approximately 206 acres of property. The total purchase price is expected to be approximately \$4.5 million. The Board obtained financing in the amount of \$4,000,000 in March 2024 to fund a portion of the purchase price and the remainder will be paid from existing Board resources.

In November 2023, the Board purchased approximately 160 acres of property in the amount of \$2,800,000; an appropriation from the City of Auburn was used to fund the purchase.

In November 2023, the Board approved the sale of one of its buildings held for leasing in the amount of \$14,150,000. A lease termination by the current tenant was also approved. The buyer deposited \$100,000 in earnest money upon execution and delivery of the agreement and is required to pay additional earnest money in the amount of \$2,730,000 when the current tenant vacates the property. The purchase is contingent upon inspection by the buyer, and the anticipated closing date is May 1, 2024.

Subsequent to September 30, 2023, the Board entered into two prepaid capital leases conveying property in the Auburn Technology Park West to tenants wishing to construct or expand facilities. These parcels were conveyed as incentives and the estimated value of the land and improvements was approximately \$425,000.

Subsequent to September 30, 2023, the Board entered into construction contracts for various projects totaling approximately \$5.5 million. The Board will be a subrecipient of \$3,000,000 in federal grant funds that will be passed through the City of Auburn to use towards construction costs. Additionally, \$1 million in construction financing was obtained and the remaining funds will be paid from existing Board resources.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 29. PRIOR PERIOD ADJUSTMENTS

CITY OF AUBURN PRIMARY GOVERNMENT

During fiscal year 2023, the City recognized a prior period adjustment of \$108,583 in the government-wide financial statements to reverse a prior year capital outlay item that was originally recognized as construction in progress in a prior year but that was ultimately not capitalized in the current year.

COMPONENT UNITS

Water Works Board

During fiscal year 2023, the Board recognized two prior period adjustments that increased beginning net position by a total of \$314,777. In fiscal years 2018 through 2021 the Board paid and expensed a total of \$400,040 toward the construction of a water well when those payments should have been recognized as prepaids and later credited against water purchases starting in fiscal year 2021 until the credit was fully applied. As of September 30, 2023, the Board recorded a prior period adjustment for the remaining prepaid credit totaling \$211,605. Also, in fiscal year 2023 the Board recorded a prior period adjustment and a related prepaid for an overpayment on chemical inventory purchases during fiscal years 2022 and 2023 totaling \$103,172.

Industrial Development Board

During fiscal year 2023, the Board discovered that a prepaid capital lease that was signed in the prior year was not accounted for in the financial statements. The lease was for a lot in the Auburn Technology Park West Annex and effectively granted the lot to the tenant as an incentive to locate in Auburn. The cost of the lot was not removed from the Board's financial statements in fiscal year 2022, which resulted in an overstatement of prior year results of operations and a current year prior period adjustment to reduce beginning net assets by \$1,354,941.

In a prior year, the Board leased a lot in the Auburn Technology Park West to a tenant under a prepaid capital lease and properly removed the lot from its financial statements. During fiscal year 2022, while the lease was still in effect, the Board reached an agreement with the tenant that a small portion of the lot would be divided into a separate lot and retained by the Board as property held for resale. Through an oversight, this transaction was not accounted for by the Board. When this was discovered in fiscal year 2023, a prior period adjustment was recorded to increase beginning net assets by \$144,490. Since the property was removed prior to 2022, no adjustment to prior year results of operations would have been reported.

During fiscal year 2023, the Board recognized changes in estimated costs to complete development of the Auburn Technology Park West. The changes resulted in an increase to industrial incentives granted in the amount of \$37,822, an increase in loss on disposal of assets in the amount of \$66,429, and an increase in land held for leasing in the amount of \$2,382.



City of Auburn

Required Supplementary Information



City of Auburn

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years in which information is available.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total pension liability									
Service cost	3,621,613	3,006,904	2,744,079	2,660,970	2,420,659	2,348,855	2,263,221	2,096,359	2,020,170
Interest	10,346,798	9,627,046	8,932,116	8,462,103	7,988,160	7,587,667	7,098,665	6,773,185	6,444,210
Changes of benefit terms	103,645	-	1,772,883	-	-	-	-	-	-
Differences between expected and actual experience	3,233,479	2,781,002	2,227,113	1,147,709	1,239,780	403,593	1,030,203	(201,519)	-
Changes of assumptions	-	5,444,804	-	-	650,117	-	3,582,969	-	-
Benefit payments, including refunds of employee contributions	(7,290,814)	(6,389,298)	(5,820,500)	(5,470,330)	(5,549,049)	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	170,577	(163,074)	(546,220)	(521,313)	35,394	174,097	137,570	-	-
Net change in total pension liability	10,185,298	14,307,384	9,309,471	6,279,139	6,785,061	5,370,118	9,375,620	4,205,974	4,222,044
Total pension liability - beginning	<u>142,528,606</u>	<u>128,221,222</u>	<u>118,911,751</u>	<u>112,632,612</u>	<u>105,847,551</u>	<u>100,477,433</u>	<u>91,101,813</u>	<u>86,895,839</u>	<u>82,673,795</u>
Total pension liability - ending (a)	<u>152,713,904</u>	<u>142,528,606</u>	<u>128,221,222</u>	<u>118,911,751</u>	<u>112,632,612</u>	<u>105,847,551</u>	<u>100,477,433</u>	<u>91,101,813</u>	<u>86,895,839</u>
Plan fiduciary net position									
Contributions - employer	4,220,692	3,721,336	3,434,151	3,192,281	2,886,965	2,895,132	2,934,254	2,827,895	2,602,824
Contributions - member	2,717,369	2,375,294	2,122,518	2,010,918	1,773,476	1,613,441	1,597,131	1,548,903	1,341,496
Net investment income	(12,796,248)	18,239,681	4,474,017	1,980,152	6,601,723	8,171,480	5,923,189	683,202	6,183,165
Benefit payments, including refunds of employee contributions	(7,290,814)	(6,389,298)	(5,820,500)	(5,470,330)	(5,549,049)	(5,144,094)	(4,737,008)	(4,462,051)	(4,242,336)
Transfers among employers	170,577	(163,074)	(546,220)	(521,313)	35,394	174,097	137,570	(66,372)	193,733
Net change in plan fiduciary net position	(12,978,424)	17,783,939	3,663,966	1,191,708	5,748,509	7,710,056	5,855,136	531,577	6,078,882
Plan net position - beginning	<u>100,148,286</u>	<u>82,364,347</u>	<u>78,700,381</u>	<u>77,508,673</u>	<u>71,760,164</u>	<u>64,050,108</u>	<u>58,194,972</u>	<u>57,663,395</u>	<u>51,584,513</u>
Plan net position - ending (b)	<u>87,169,862</u>	<u>100,148,286</u>	<u>82,364,347</u>	<u>78,700,381</u>	<u>77,508,673</u>	<u>71,760,164</u>	<u>64,050,108</u>	<u>58,194,972</u>	<u>57,663,395</u>
Net pension liability - ending a - b	65,544,042	42,380,320	45,856,875	40,211,370	35,123,939	34,087,387	36,427,325	32,906,841	29,232,444
Plan fiduciary net position as a percentage of the total pension liability	57.08%	70.27%	64.24%	66.18%	68.82%	67.80%	63.75%	63.88%	66.36%
Covered payroll ⁽¹⁾	42,773,053	37,688,081	35,428,974	34,130,998	30,468,475	28,547,194	27,235,213	25,894,222	24,266,174
Net pension liability as a percentage of covered payroll	153.24%	112.45%	129.43%	117.81%	115.28%	119.41%	133.75%	127.08%	120.47%

⁽¹⁾Employer's covered payroll during the measurement period is the total covered payroll. For FY2023 the measurement period is October 1, 2021 to September 30, 2022. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

CITY OF AUBURN, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years in which information is available.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Actuarially determined contributions ¹	4,691,605	4,050,144	3,657,108	3,391,662	3,175,036	2,755,194	2,854,621	2,818,007	2,704,775
Contributions in relation to the actuarially determined contribution ¹	4,691,605	4,050,144	3,657,108	3,391,662	3,175,036	2,755,194	2,854,621	2,818,007	2,704,775
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll ²	42,773,053	39,778,962	37,688,081	35,428,974	34,130,998	30,468,475	28,547,194	27,235,213	25,894,222
Contributions as a percentage of covered payroll	10.97%	10.18%	9.70%	9.57%	9.30%	9.04%	10.00%	10.35%	10.45%

¹The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

²Employer's covered payroll for FY2023 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022:

- Actuarial cost method: entry age
- Amortization method: level percent closed
- Remaining amortization period: 25.1 years
- Asset valuation method: five year smoothed fair value
- Inflation: 2.75%
- Salary increases: 3.25 - 5.00%, including inflation
- Investment rate of return: 7.70%, net of pension plan investment expense, including inflation

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years in which information is available.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	\$	\$	\$	\$	\$	\$
Total OPEB Liability						
Service cost	104,076	326,932	179,809	110,213	102,701	106,479
Interest	191,889	146,213	146,594	131,779	152,194	130,523
Changes in assumptions	(38,448)	(1,103,919)	(13,916)	805,903	198,691	(113,656)
Differences between expected and actual experience	553,898	(899,054)	898,704	1,444,740	(327,559)	108,181
Benefit payments	(510,720)	(484,093)	(166,425)	(135,310)	(120,467)	(99,020)
Net change in total OPEB liability	300,695	(2,013,921)	1,044,766	2,357,325	5,560	132,507
Total OPEB Liability - beginning	5,071,673	7,085,594	6,040,828	3,683,503	3,677,943	3,545,436
Total OPEB Liability - ending	<u>\$ 5,372,368</u>	<u>\$ 5,071,673</u>	<u>\$ 7,085,594</u>	<u>\$ 6,040,828</u>	<u>\$ 3,683,503</u>	<u>\$ 3,677,943</u>
Covered employee payroll	32,819,124	31,556,851	32,993,358	31,095,990	32,124,486	27,910,274
Total OPEB liability as % of covered employee payroll	16.4%	16.1%	21.5%	19.4%	11.5%	13.2%

Notes to Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
4.09%	4.02%	2.43%	2.41%	3.58%	4.15%

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.



City of Auburn

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are operating funds used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes other than special assessments or major capital projects.

Seven Cent Gas Tax Fund accounts for funds received from the State of Alabama and expended for street related projects.

Four and Five Cent Gas Tax Fund accounts for Auburn's share of the State of Alabama four and five cent gas tax revenues and expenditures for the resurfacing, restoration and rehabilitation of roads, bridges and streets.

Ten Cent Gas Tax Fund accounts for Auburn's share of the State of Alabama Rebuild Alabama Act revenues and expenditures for street and infrastructure related projects.

Municipal Court Judicial Administration Fund accounts for funds received from specific fines collected that are to be used for municipal court administration purposes.

Public Safety Substance Abuse Prevention Fund accounts for funds received from the U.S. Marshal and the State of Alabama to be used for enforcement of laws against drug trafficking.

Working Capital Interest Subsidy Program Fund accounts for the City's contribution to provide subsidy payments to cover interest on qualifying loans made to enable commercial enterprises to maintain business in the City during and following the effects of COVID-19 as allowed by Amendment 772 to the Constitution of Alabama of 1901.

Grants – General Activities Fund accounts for state and federal grants.

Community Development Block Grant Fund accounts for funds received from federal Community Development Block Grants and expended for approved community development projects.

Federal Grant Loan Repayment Fund accounts for mortgage revenue from grants provided by the U.S. Department of Housing and Urban Development used to fund Title I projects within the City.

Debt Service Funds

Debt Service Funds are used to account for the payment of principal and interest on long-term debt. Debt service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

Special 5-Mill Tax Fund accounts for general property tax receipts used to pay principal and interest on bonds issued to finance projects approved by the voters.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

West Tech Park Phase II Fund accounts for the revenue and expenditure of bonds issued by the City for the expansion of Auburn Technology Park West and other infrastructure projects.

2018 Public Safety Complex Fund accounts for the revenue and expenditure of general obligation warrants issued by the City for the construction of a new public safety complex for the City.

**CITY OF AUBURN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2023**

Special Revenue Funds

	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Ten Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Working Capital Int Subsidy Program Fund	Grants General Activities Fund	Community Development Block Grant Fund	Federal Grant Loan Repayment Fund	Total
ASSETS	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	59,367	51,010	59,159	731,988	217,046	27,286	254,132	844	110,288	1,511,120
Investments	-	-	-	-	-	-	-	-	1,348,082	1,348,082
Certificates of deposit	-	-	-	-	-	-	-	-	-	-
Receivables, net	16,976	13,488	42,737	32,600	-	-	386,975	6,852	282,280	781,908
Due from other funds	-	-	-	-	-	-	-	106,235	-	106,235
Mortgages receivable	-	-	-	-	-	-	-	-	1,572,595	1,572,595
Restricted cash	-	-	-	-	-	-	-	-	49,428	49,428
Total assets	76,343	64,498	101,896	764,588	217,046	27,286	641,107	113,931	3,362,673	5,369,368
LIABILITIES										
Accounts payable and accrued liabilities	-	-	-	20,836	6,920	-	64,928	5,114	122	97,920
Due to other funds	-	-	-	-	-	-	9,510	108,805	106,236	224,551
Unearned revenue	-	-	-	-	38,650	-	1,169	-	1,560,575	1,600,394
Total liabilities	-	-	-	20,836	45,570	-	75,607	113,919	1,666,933	1,922,865
Restricted										
Roads, bridges and streets	76,343	64,498	101,896	-	-	-	-	-	-	242,737
Law enforcement	-	-	-	743,752	171,476	-	-	-	-	915,228
General grants	-	-	-	-	-	-	565,500	-	-	565,500
Social and economic development	-	-	-	-	-	-	-	12	1,695,740	1,695,752
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Committed										
Interest Subsidy Program	-	-	-	-	-	27,286	-	-	-	27,286
Total fund balances	76,343	64,498	101,896	743,752	171,476	27,286	565,500	12	1,695,740	3,446,503
Total liabilities and fund balances	76,343	64,498	101,896	764,588	217,046	27,286	641,107	113,931	3,362,673	5,369,368

**CITY OF AUBURN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2023
CONTINUED**

	Debt Service Fund		Capital Projects Funds		Total Nonmajor Governmental Funds
	Special 5-Mill Tax Fund	West Tech Park Phase II Fund	2018 Public Safety Complex Fund	Total	
ASSETS	\$	\$	\$	\$	\$
Cash and cash equivalents	4,719,559	290,125	-	290,125	6,520,804
Investments	5,259,709	-	-	-	6,607,791
Certificate of deposits	757,562	-	-	-	757,562
Receivables, net	80,101	-	-	-	862,009
Due from other funds	-	-	-	-	106,235
Mortgages receivable	-	-	-	-	1,572,595
Restricted cash	-	-	-	-	49,428
Total assets	<u>10,816,931</u>	<u>290,125</u>	<u>-</u>	<u>290,125</u>	<u>16,476,424</u>
LIABILITIES					
Accounts payable and accrued liabilities	410	-	-	-	98,330
Due to other funds	-	-	-	-	224,551
Unearned revenue	-	-	-	-	1,600,394
Total liabilities	<u>410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,923,275</u>
Restricted					
Roads, bridges and streets	-	-	-	-	242,737
Law enforcement	-	-	-	-	915,228
General grants	-	-	-	-	565,500
Social and economic development	-	-	-	-	1,695,752
Capital projects	-	290,125	-	290,125	290,125
Debt service	10,816,520	-	-	-	10,816,520
Committed					
Interest Subsidy Program	-	-	-	-	27,286
Total fund balances	<u>10,816,520</u>	<u>290,125</u>	<u>-</u>	<u>290,125</u>	<u>14,553,148</u>
Total liabilities and fund balances	<u>10,816,930</u>	<u>290,125</u>	<u>-</u>	<u>290,125</u>	<u>16,476,423</u>

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Special Revenue Funds

	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Ten Cent Gas Tax Fund	Municipal Court Judicial Admin Fund	Public Safety Substance Abuse Fund	Working Capital Int Subsidy Program Fund	Grants General Activities Fund	Community Development Block Grant Fund	Federal Grant Loan Repayment Fund	Total
Revenues										
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	186,860	147,811	479,593	-	-	-	-	-	-	814,264
Fines and forfeitures	-	-	-	109,840	-	-	-	-	-	109,840
Contributions from the public	-	-	-	-	10,962	-	-	-	-	10,962
Grants	-	-	-	-	-	-	1,990,031	797,199	-	2,787,230
Program income	-	-	-	-	-	-	-	-	415,991	415,991
Interest	895	768	1,287	8,511	2,714	354	-	-	83,821	98,350
Miscellaneous	-	-	-	-	-	-	-	-	498	498
Total revenues	187,755	148,579	480,880	118,351	13,676	354	1,990,031	797,199	500,310	4,237,135
Expenditures										
General government and administration	-	-	-	5,086	-	-	-	-	-	5,086
Public safety	-	-	-	-	21,296	-	100,808	-	-	122,104
Library	-	-	-	-	-	-	15,352	-	-	15,352
Social and economic development	-	-	-	-	-	3,301	-	1,101,441	10	1,104,752
Total departmental	-	-	-	5,086	21,296	3,301	116,160	1,101,441	10	1,247,294
Non-departmental	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	179,000	179,000
Interest	-	-	-	-	-	-	-	-	61,133	61,133
Administrative charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	1,824,536	103,106	-	1,927,642
Total expenditures	-	-	-	5,086	21,296	3,301	1,940,696	1,204,547	240,143	3,415,069
Excess (deficiency) of revenues over expenditures	187,755	148,579	480,880	113,265	(7,620)	(2,947)	49,335	(407,348)	260,167	822,066
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	468,531	61,133	529,664
Transfers out	(174,000)	(139,000)	(465,000)	-	-	-	-	(61,183)	(468,480)	(1,307,663)
Total other financing sources (uses)	(174,000)	(139,000)	(465,000)	-	-	-	-	407,348	(407,347)	(777,999)
Net changes in fund balances	13,755	9,579	15,880	113,265	(7,620)	(2,947)	49,335	-	(147,180)	44,067
Fund balances, beginning of year	62,588	54,919	86,016	630,487	179,096	30,233	516,165	12	1,842,920	3,402,436
Fund balances, beginning, as restated	62,588	54,919	86,016	630,487	179,096	30,233	516,165	12	1,842,920	3,402,436
Fund balances, end of year	76,343	64,498	101,896	743,752	171,476	27,286	565,500	12	1,695,740	3,446,503

CITY OF AUBURN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023
CONTINUED

	Debt		Capital Projects Funds		
	Service Fund				
	Special 5-Mill Tax Fund	West Tech Park Phase II Fund	2018 Public Safety Complex Fund	Total	Total Nonmajor Governmental Funds
Revenues	\$	\$	\$	\$	\$
General property taxes	7,749,088	-	-	-	7,749,088
State shared taxes	-	-	-	-	814,264
Fines and forfeitures	-	-	-	-	109,840
Contributions from the public	-	-	-	-	10,962
Grants	-	-	-	-	2,787,230
Program income	-	-	-	-	415,991
Interest	318,998	3,631	3,302	6,933	424,281
Miscellaneous	-	-	-	-	498
Total revenues	<u>8,068,086</u>	<u>3,631</u>	<u>3,302</u>	<u>6,933</u>	<u>12,312,154</u>
Expenditures					
General government and administration	-	-	-	-	5,086
Public safety	-	-	-	-	122,104
Library	-	-	-	-	15,352
Social and economic development	-	-	-	-	1,104,752
Total departmental	-	-	-	-	1,247,294
Non-departmental	254,383	-	-	-	254,383
Debt service:					
Principal retirement	1,855,000	-	-	-	2,034,000
Interest	4,791,007	-	-	-	4,852,140
Administrative charges	825	-	-	-	825
Capital outlay	-	-	-	-	1,927,642
Total expenditures	<u>6,901,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,316,284</u>
Excess (deficiency) of revenues over expenditures	<u>1,166,871</u>	<u>3,631</u>	<u>3,302</u>	<u>6,933</u>	<u>1,995,870</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	529,664
Transfers out	-	-	(1,297)	(1,297)	(1,308,960)
Total other financing sources (uses)	-	-	(1,297)	(1,297)	(779,296)
Net changes in fund balances	1,166,871	3,631	2,005	5,636	1,216,574
Fund balances, beginning of year	<u>9,649,649</u>	<u>286,494</u>	<u>(2,005)</u>	<u>284,489</u>	<u>13,336,574</u>
Fund balances, beginning, as restated	<u>9,649,649</u>	<u>286,494</u>	<u>(2,005)</u>	<u>284,489</u>	<u>13,336,574</u>
Fund balances, end of year	<u>10,816,520</u>	<u>290,125</u>	<u>-</u>	<u>290,125</u>	<u>14,553,148</u>

CITY OF AUBURN, ALABAMA
SEVEN CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
State shared taxes	156,500	173,500	186,860	13,360
Interest	100	600	895	295
Total revenues	<u>156,600</u>	<u>174,100</u>	<u>187,755</u>	<u>13,655</u>
Other financing uses				
Transfers out	<u>(156,000)</u>	<u>(174,000)</u>	<u>(174,000)</u>	<u>-</u>
Net changes in fund balances	600	100	13,755	13,655
Fund balances, beginning of year	<u>62,588</u>	<u>62,588</u>	<u>62,588</u>	<u>-</u>
Fund balances, end of year	<u><u>63,188</u></u>	<u><u>62,688</u></u>	<u><u>76,343</u></u>	<u><u>13,655</u></u>

CITY OF AUBURN, ALABAMA
FOUR AND FIVE CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
State shared taxes	125,000	138,500	147,811	9,311
Interest	100	500	768	268
Total revenues	<u>125,100</u>	<u>139,000</u>	<u>148,579</u>	<u>9,579</u>
Other financing uses				
Transfers out	<u>(125,000)</u>	<u>(139,000)</u>	<u>(139,000)</u>	<u>-</u>
Net changes in fund balances	100	-	9,579	9,579
Fund balances, beginning of year	<u>54,919</u>	<u>54,919</u>	<u>54,919</u>	<u>-</u>
Fund balances, end of year	<u><u>55,019</u></u>	<u><u>54,919</u></u>	<u><u>64,498</u></u>	<u><u>9,579</u></u>

CITY OF AUBURN, ALABAMA
TEN CENT GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
State shared taxes	415,000	465,000	479,593	14,593
Interest	100	900	1,287	387
Total revenues	415,100	465,900	480,880	14,980
Other financing uses				
Transfers out	(415,000)	(465,000)	(465,000)	-
Net changes in fund balances	100	900	15,880	14,980
Fund balances, beginning of year	86,016	86,016	86,016	-
Fund balances, end of year	86,116	86,916	101,896	14,980

CITY OF AUBURN, ALABAMA
MUNICIPAL COURT JUDICIAL ADMINISTRATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
Fines and forfeitures	135,000	122,500	109,840	(12,660)
Interest	2,000	6,000	8,511	2,511
Total revenues	137,000	128,500	118,351	(10,149)
Expenditures				
General government and administration	-	7,500	5,086	(2,414)
Total expenditures	-	7,500	5,086	(2,414)
Excess (deficiency) of revenues over expenditures	137,000	121,000	113,265	(7,735)
Net changes in fund balances	137,000	121,000	113,265	(7,735)
Fund balances, beginning of year	630,487	630,487	630,487	-
Fund balances, end of year	767,487	751,487	743,752	(7,735)

CITY OF AUBURN, ALABAMA
PUBLIC SAFETY SUBSTANCE ABUSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
Contributions from the public	27,500	27,500	10,962	(16,538)
Interest	1,350	2,150	2,714	564
Total revenues	<u>28,850</u>	<u>29,650</u>	<u>13,676</u>	<u>(15,974)</u>
Expenditures				
Public safety	10,300	17,800	21,296	(3,496)
Total expenditures	<u>10,300</u>	<u>17,800</u>	<u>21,296</u>	<u>(3,496)</u>
Excess (deficiency) of revenues over expenditures	18,550	11,850	(7,620)	(19,470)
Other financing sources				
Sale of surplus assets	4,500	4,500	-	(4,500)
Net changes in fund balances	23,050	16,350	(7,620)	(23,970)
Fund balances, beginning of year	179,096	179,096	179,096	-
Fund balances, end of year	<u>202,146</u>	<u>195,446</u>	<u>171,476</u>	<u>(23,970)</u>

CITY OF AUBURN, ALABAMA
SPECIAL 5-MILL TAX DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$	\$	\$	\$
General property tax	6,947,300	7,705,000	7,749,088	44,088
Interest	9,500	244,500	318,998	74,498
Total revenues	<u>6,956,800</u>	<u>7,949,500</u>	<u>8,068,086</u>	<u>118,586</u>
Expenditures				
Non-departmental	251,650	317,670	254,383	63,287
Debt service:				
Principal retirement	1,855,000	1,855,000	1,855,000	-
Interest	4,791,006	4,791,006	4,791,007	(1)
Administrative charges	1,650	1,650	825	825
Total expenditures	<u>6,899,306</u>	<u>6,965,326</u>	<u>6,901,215</u>	<u>64,111</u>
Excess (deficiency) of revenues over expenditures	57,494	984,174	1,166,871	182,697
Net changes in fund balances	57,494	984,174	1,166,871	182,697
Fund balances, beginning of year	9,649,649	9,649,649	9,649,649	-
Fund balances, end of year	<u>9,707,143</u>	<u>10,633,823</u>	<u>10,816,520</u>	<u>182,697</u>

Nonmajor Component Units

Public Park and Recreation Board

In October of 1990, the Auburn City Council authorized the establishment of a park and recreation board, primarily for the purpose of advising the Council concerning proposed recreation projects and acquiring such recreation facilities as may be deemed to be in the public interest.

All three Board members are appointed by the City Council, which maintains a significant degree of control over the Board's officials. The City exercises total control over budgetary adoption requests and revisions and has responsibility for funding deficits and operating deficiencies of the Board. The Public Park and Recreation Board is a proprietary fund type or business-type activity.

This component unit currently accounts for the operation of the Yarbrough Tennis Center, which opened in July 2007.

Auburn Downtown Redevelopment Authority

The Auburn Downtown Redevelopment Authority was incorporated in February of 1985 and all members are appointed by the City Council. It was established in order to aid in the revitalization and improvement of the central downtown business district. The Authority is charged with promoting the public good and general welfare, trade, commerce, industry, and employment opportunities, as well as creating a climate favorable to the location of new industry, trade and commerce, and the development of existing industry, trade and commerce.

The City invested funds into the Authority to facilitate the redevelopment of downtown property. The Authority must repay the City, which indicates a financial benefit burden relationship, as the City is legally entitled to the Authority's resources. The Auburn Downtown Redevelopment Authority is presented as a proprietary fund type or business-type activity.



City of Auburn

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2023

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	543	-	543
Receivables, net	82,773	-	82,773
Current portion of net investment in capital leases	-	54,991	54,991
Other current assets	3,883	-	3,883
Total current assets	<u>87,199</u>	<u>54,991</u>	<u>142,190</u>
Noncurrent assets			
Net investment in capital leases, net of current portion	-	1,048,665	1,048,665
Capital assets, net of accumulated depreciation	2,855,018	-	2,855,018
Total noncurrent assets	<u>2,855,018</u>	<u>1,048,665</u>	<u>3,903,683</u>
Total assets	<u>2,942,217</u>	<u>1,103,656</u>	<u>4,045,873</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	119,232	-	119,232
OPEB related	14,065	-	14,065
Total deferred outflows of resources	<u>133,297</u>	<u>-</u>	<u>133,297</u>
LIABILITIES			
Current liabilities			
Accounts payable and other accrued liabilities	62,258	-	62,258
Current portion of OPEB liability	2,128	-	2,128
Current portion of long-term debt	-	54,991	54,991
Total current liabilities	<u>64,386</u>	<u>54,991</u>	<u>119,377</u>
Noncurrent liabilities			
Long-term debt and other liabilities	-	1,048,665	1,048,665
Net pension liability	258,458	-	258,458
OPEB liability	27,978	-	27,978
Total noncurrent liabilities	<u>286,436</u>	<u>1,048,665</u>	<u>1,335,101</u>
Total liabilities	<u>350,822</u>	<u>1,103,656</u>	<u>1,454,478</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	5,065	-	5,065
OPEB related	11,638	-	11,638
Total deferred inflows of resources	<u>16,703</u>	<u>-</u>	<u>16,703</u>
NET POSITION			
Net investment in capital assets	2,855,018	-	2,855,018
Unrestricted (deficit)	(147,029)	-	(147,029)
Total net position	<u>2,707,989</u>	<u>-</u>	<u>2,707,989</u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER, 30 2023

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Operating revenues			
Tennis center revenue	329,972	-	329,972
Miscellaneous	327,355	-	327,355
Total operating revenues	<u>657,327</u>	<u>-</u>	<u>657,327</u>
Operating expenses			
Salaries and wages	364,323	-	364,323
Employee benefits	109,482	-	109,482
Repairs and maintenance	133,888	-	133,888
Utilities	143,505	-	143,505
Rentals and leasing	1,315	-	1,315
Insurance	7,307	-	7,307
Office supplies	630	-	630
Professional services	63,295	-	63,295
Agricultural and chemical supplies	1,140	-	1,140
Depreciation/amortization	328,059	-	328,059
Minor equipment and tools	30,136	-	30,136
Miscellaneous	25	-	25
Total operating expenses	<u>1,183,105</u>	<u>-</u>	<u>1,183,105</u>
Operating income (loss)	<u>(525,778)</u>	<u>-</u>	<u>(525,778)</u>
Non-operating revenues (expenses)			
Interest and investment earnings	294	19,879	20,173
Appropriations from the City of Auburn	518,283	-	518,283
Interest and fiscal charges	-	(19,879)	(19,879)
Loss on disposal of assets	(11,741)	-	(11,741)
Total non-operating revenues (expenses)	<u>506,836</u>	<u>-</u>	<u>506,836</u>
Change in net position	(18,942)	-	(18,942)
Net position--beginning of year	<u>2,726,931</u>	<u>-</u>	<u>2,726,931</u>
Net position--end of year	<u><u>2,707,989</u></u>	<u><u>-</u></u>	<u><u>2,707,989</u></u>

CITY OF AUBURN, ALABAMA
DISCRETELY PRESENTED BUSINESS-TYPE NONMAJOR COMPONENT UNITS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Public Park and Recreation Board	Downtown Redevelopment Authority	Total
	\$	\$	\$
Cash flows from operating activities			
Cash collected from customers	592,935	-	592,935
Other cash collected (misc income)	269	-	269
Payments to suppliers for goods and services	(364,827)	-	(364,827)
Payments to employees for services	(464,217)	-	(464,217)
Net cash provided (consumed) by operating activities (A)	<u>(235,840)</u>	<u>-</u>	<u>(235,840)</u>
Cash flows from noncapital financing activities			
Operating transfers in	518,283	-	518,283
Net cash provided (consumed) by noncapital financing activities	<u>518,283</u>	<u>-</u>	<u>518,283</u>
Cash flows from capital and related financing activities			
Proceeds from sale of assets	335	-	335
Interest and fiscal fees paid	-	(19,879)	(19,879)
Acquisition and construction of capital assets	(283,303)	-	(283,303)
Net cash provided (consumed) by capital and related financing activities	<u>(282,968)</u>	<u>(19,879)</u>	<u>(302,847)</u>
Cash flows from investing activities			
Interest on investments	294	19,879	20,173
Net cash provided (consumed) by investing activities	<u>294</u>	<u>19,879</u>	<u>20,173</u>
Net increase (decrease) in cash	(231)	-	(231)
Cash and cash equivalents, beginning of year	774	-	774
Cash and cash equivalents, end of year	<u>543</u>	<u>-</u>	<u>543</u>

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

Operating income (loss)	(525,778)	-	(525,778)
Add:			
Depreciation/amortization expense	328,059	-	328,059
Increase in accounts payable/accrued liabilities	16,873	-	16,873
Increase in pension related liabilities	90,838	-	90,838
Increase in OPEB liability	2,256	-	2,256
Decrease in OPEB related deferred outflows	243	-	243
Less:			
Increase in accounts receivable	(64,123)	-	(64,123)
Increase in prepaid expenses	(459)	-	(459)
Increase in deferred pension contributions	(52,956)	-	(52,956)
Decrease in pension related deferred inflows	(28,399)	-	(28,399)
Decrease in OPEB related deferred inflows	(2,394)	-	(2,394)
Net cash provided (consumed) by operating activities	<u>(235,840)</u>	<u>-</u>	<u>(235,840)</u>



City of Auburn

Capital Assets Used in the Operation of Governmental Funds

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



City of Auburn

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
AS OF SEPTEMBER 30, 2023

Governmental funds capital assets	\$
Land, buildings and improvements	169,006,546
Construction in progress	32,155,372
Heavy equipment	4,682,706
Office equipment	8,172,179
Right-to-use leased assets - office equipment	319,580
Small tools and equipment	3,258,002
Vehicles	13,767,675
Infrastructure	289,774,735
Subscription asset	2,142,715
Total governmental funds capital assets	<u>523,279,510</u>
Investment in governmental funds capital assets by source	
General fund revenues	288,417,843
Capital projects funds	160,672,577
Federal grants	23,966,265
State grants	456,205
Special revenue fund revenues	2,919,890
Contributions and donations	46,818,930
Special assessments	27,800
Total investment in governmental funds capital assets	<u>523,279,510</u>

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AS OF SEPTEMBER 30, 2023

Function and Activity	Total	Land, Buildings & Improvements	Easements	Construction in Progress	Heavy Equipment	Office Equipment
	\$	\$	\$	\$	\$	\$
General government and administration						
Information technology	5,691,376	39,154	-	277,406	44,608	2,701,745
Geographical information systems	766,057	14,835	-	-	-	183,376
Judicial	312,230	-	-	-	-	-
Administrative	795,000	776,772	-	-	-	9,889
Finance	1,552,835	6,272	-	-	-	37,357
Total general government and administration	9,117,498	837,033	-	277,406	44,608	2,932,367
Public works administration	319,854,518	19,644,629	8,395,103	17,367,265	1,603,734	8,555
Environmental services	21,699,082	20,736,732	-	-	90,577	12,251
Public safety administration	38,963,881	37,323,203	-	337,046	-	643,068
Fire	10,431,638	4,117,212	-	42,067	1,524,469	176,811
Police	7,035,846	129,815	-	-	7,795	216,673
Development services ¹	13,277,014	2,169,930	-	720,995	448,993	111,149
Library	5,952,893	5,627,351	-	-	-	241,632
Parks and recreation	61,202,661	38,012,230	-	10,301,242	962,530	25,250
Human resources	1,137,336	852,500	-	-	-	17,882
Social and economic development ²	9,839,070	6,629,993	-	3,109,351	-	27,429
Total departmental	498,511,437	136,080,628	8,395,103	32,155,372	4,682,706	4,413,067
Nondepartmental	24,768,073	24,530,815	-	-	-	-
Total governmental funds capital assets	523,279,510	160,611,443	8,395,103	32,155,372	4,682,706	4,413,067

¹ Development services includes the following departments : engineering services, planning services and inspection services.

² Social and economic development includes the following departments : social and economic development and community services.

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AS OF SEPTEMBER 30, 2023
CONTINUED

Function and Activity	Right-to-Use Office Equipment	Subscriptions	Software	Small Tools and Equipment	Vehicles	Infrastructure
	\$	\$	\$	\$	\$	\$
General government and administration						
Information technology	-	457,690	932,584	325,226	67,120	845,843
Geographical information systems	-	160,553	401,794	5,499	-	-
Judicial	9,037	-	303,193	-	-	-
Administrative	8,339	-	-	-	-	-
Finance	-	-	1,485,261	-	23,945	-
Total general government and administration	17,376	618,243	3,122,832	330,725	91,065	845,843
Public works administration	-	-	-	309,644	2,171,071	270,354,517
Environmental services	-	401,254	-	112,755	345,513	-
Public safety administration	32,175	-	365,956	80,588	28,319	153,526
Fire	-	-	-	880,232	3,690,847	-
Police	-	1,075,933	75,748	407,193	5,122,689	-
Development services ¹	24,137	-	-	250,553	1,201,379	8,349,878
Library	-	-	-	-	78,280	5,630
Parks and recreation	6,201	-	-	850,486	996,063	10,048,659
Human resources	-	47,285	194,576	-	25,093	-
Social and economic development ²	12,659	-	-	25,600	17,356	16,682
Total departmental	92,548	2,142,715	3,759,112	3,247,776	13,767,675	289,774,735
Nondepartmental	227,032	-	-	10,226	-	-
Total governmental funds capital assets	319,580	2,142,715	3,759,112	3,258,002	13,767,675	289,774,735

¹ Development services includes the following departments : engineering services, planning services and inspection services.

² Social and economic development includes the following departments : social and economic development and community services.

CITY OF AUBURN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
AS OF SEPTEMBER 30, 2023

	Governmental Funds Capital Assets September 30, 2022	Transfers/ Additions	Transfers/ Deductions	Governmental Funds Capital Assets September 30, 2023
	\$	\$	\$	\$
General government and administration				
Information technology	4,548,153	1,283,841	(140,618)	5,691,376
Geographical information systems	606,617	186,387	(26,947)	766,057
Judicial	312,230	-	-	312,230
Administrative	795,000	-	-	795,000
Finance	1,545,935	6,900	-	1,552,835
Total general government and administration	7,807,935	1,477,128	(167,565)	9,117,498
Public works administration	303,494,462	58,709,655	(42,349,599)	319,854,518
Environmental services	3,394,163	18,363,739	(58,820)	21,699,082
Public safety administration	38,909,427	55,054	(600)	38,963,881
Fire	10,167,967	318,579	(54,908)	10,431,638
Police	5,323,830	1,946,479	(234,463)	7,035,846
Development services ¹	11,699,943	2,113,062	(535,991)	13,277,014
Library	5,922,852	74,041	(44,000)	5,952,893
Parks and recreation	39,330,377	33,362,286	(11,490,002)	61,202,661
Human resources	1,170,227	194,576	(227,467)	1,137,336
Social and economic development ²	8,268,262	1,570,808	-	9,839,070
Total departmental	435,489,445	118,185,407	(55,163,415)	498,511,437
Nondepartmental	24,718,856	49,217	-	24,768,073
Total governmental funds capital assets	460,208,301	118,234,624	(55,163,415)	523,279,510

¹ Development services includes the following departments : engineering services, planning services and inspection services.

² Social and economic development includes the following departments : social and economic development and community services.

STATISTICAL SECTION

This section of the City of Auburn's annual comprehensive financial report presents detailed information about the government's economic condition. This section aids in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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<i>These schedules contain trend information to help the reader understand and assess how the government's financial position has changed over time.</i>	
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<i>These schedules contain information to help the reader assess the government's most significant revenue source, sales tax.</i>	
Debt Capacity – Tables 9-13	204
<i>These schedules contain information to help the reader assess the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information – Tables 14-15.....	207
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
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<i>These schedules contain information to help the reader understand the government's operations and resources.</i>	

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

Table 1

City of Auburn

Net Position by Activity Type

Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	\$	\$	\$	\$	\$
Primary government - governmental activities					
Net investment in capital assets	110,178,706	118,307,151	149,544,640	172,516,412	187,712,319
Restricted	10,706,845	92,735,176	67,163,363	47,557,073	37,759,824
Unrestricted ⁽¹⁾	(55,679,045)	(156,555,646)	(160,132,588)	(161,544,320)	(155,137,517)
Total governmental activities net position	65,206,506	54,486,681	56,575,415	58,529,165	70,334,626
Primary government - business-type activities					
Net investment in capital assets	33,236,208	37,097,393	40,247,221	41,989,278	46,067,480
Restricted	648,195	1,970,849	509,425	2,266,933	2,266,933
Unrestricted	7,361,470	5,291,163	7,353,032	8,323,217	6,802,829
Total business-type activities net position	41,245,873	44,359,405	48,109,678	52,579,428	55,137,242
Total primary government					
Net investment in capital assets	143,414,914	155,404,544	189,791,861	214,505,690	233,779,799
Restricted	11,355,040	94,706,025	67,672,788	49,824,006	40,026,757
Unrestricted ⁽¹⁾	(48,317,575)	(151,264,483)	(152,779,556)	(153,221,103)	(148,334,688)
Total primary government net position	106,452,379	98,846,086	104,685,093	111,108,593	125,471,868

⁽¹⁾ Please see the Net Position section of Management's Discussion and Analysis for details of negative unrestricted net position, including the large increase in 2015.

Table 1

City of Auburn

Net Position by Activity Type

Last Ten Fiscal Years

Continued

	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$
Primary government - governmental activities					
Net investment in capital assets	204,319,205	219,751,610	238,127,410	243,559,075	270,992,789
Restricted	40,216,858	57,672,793	64,086,025	63,914,971	69,273,170
Unrestricted ⁽¹⁾	(145,725,727)	(174,068,887)	(182,144,382)	(155,259,936)	(144,415,530)
Total governmental activities net position	<u>98,810,336</u>	<u>103,355,516</u>	<u>120,069,053</u>	<u>152,214,110</u>	<u>195,850,429</u>
Primary government - business-type activities					
Net investment in capital assets	47,934,317	51,637,747	55,737,271	59,196,287	63,109,399
Restricted	3,501,441	3,711,650	2,098,948	3,419,134	4,520,734
Unrestricted	8,028,390	9,987,580	11,594,746	12,637,820	12,971,660
Total business-type activities net position	<u>59,464,148</u>	<u>65,336,977</u>	<u>69,430,965</u>	<u>75,253,241</u>	<u>80,601,793</u>
Total primary government					
Net investment in capital assets	252,253,522	271,389,357	293,864,681	302,755,362	334,102,188
Restricted	43,718,299	61,384,443	66,184,973	67,334,105	73,793,904
Unrestricted ⁽¹⁾	(137,697,337)	(164,081,307)	(170,549,636)	(142,622,116)	(131,443,870)
Total primary government net position	<u>158,274,484</u>	<u>168,692,493</u>	<u>189,500,018</u>	<u>227,467,351</u>	<u>276,452,222</u>

⁽¹⁾ Please see the Net Position section of Management's Discussion and Analysis for details of negative unrestricted net position, including the large increase in 2015.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses										
Governmental activities:										
General government and administration	7,986,358	8,880,442	9,009,933	9,943,090	9,610,859	9,111,307	11,211,997	13,125,800	11,191,159	16,625,891
Public works	7,253,198	7,600,358	8,743,085	9,360,886	8,763,899	8,107,414	9,603,058	9,696,921	10,598,927	10,847,862
Environmental services	2,180,362	2,201,278	2,272,010	2,392,134	2,670,295	1,580,881	1,793,232	1,790,534	1,957,252	2,134,722
Public safety	19,036,443	19,363,905	20,189,149	21,414,563	23,779,334	24,731,609	25,068,120	27,140,426	30,354,172	32,916,753
Library	1,684,288	1,770,379	1,845,480	1,954,493	2,093,484	2,451,281	2,574,545	2,426,778	2,699,844	3,030,477
Parks and recreation	5,861,786	6,207,847	6,389,142	6,826,158	7,046,091	7,251,125	6,872,513	7,205,293	8,128,256	9,040,579
Development services ⁽¹⁾	669,831	583,137	594,714	768,847	786,636	5,520,532	5,723,548	5,606,773	5,959,730	6,543,625
Social and economic development	6,056,184	4,624,506	5,370,638	4,766,718	6,044,055	6,731,103	6,781,786	7,537,644	8,239,594	15,441,297
Human resources	755,927	742,752	2,244,797	2,341,425	2,422,500	6,754,450	6,736,121	8,458,394	9,434,036	10,301,520
Risk management	1,289,854	1,576,913	333,618	381,875	514,870	1,761,850	(1,908)	1,326,150	925,736	743,688
Education (payments to Board of Education)	16,350,759	24,505,586	60,918,952	47,502,333	35,438,202	22,584,281	48,988,527	39,554,189	35,861,206	33,201,371
Interest on long-term debt	4,968,931	4,772,926	7,253,215	7,041,045	7,494,434	7,815,868	8,484,353	8,513,776	8,559,444	10,273,105
Total governmental activities expenses	74,093,921	82,830,029	125,164,733	114,693,567	106,664,659	104,401,701	133,835,892	132,382,678	133,909,356	151,100,890
Business-type activities:										
Sewer Fund	7,960,070	8,639,882	8,387,444	8,705,876	9,169,743	9,527,438	9,149,637	9,526,755	9,426,516	10,002,573
Solid Waste Management Fund	4,145,364	4,112,900	4,380,090	4,576,422	5,149,644	5,418,704	5,078,039	5,349,988	5,568,394	6,380,518
Total business-type activities expenses	12,105,434	12,752,782	12,767,534	13,282,298	14,319,387	14,946,142	14,227,676	14,876,743	14,994,910	16,383,091
Total primary government expenses	86,199,355	95,582,811	137,932,267	127,975,865	120,984,046	119,347,843	148,063,568	147,259,421	148,904,266	167,483,981
Program Revenues										
Governmental activities:										
Charges for services:										
General government and administration	12,915,500	13,617,202	13,940,978	14,969,365	15,446,817	17,481,505	17,828,678	17,806,914	19,092,166	20,537,399
Public works	875	1,400	625	856	2,514	2,500	-	-	-	-
Public safety	4,220,666	4,318,581	4,750,953	5,344,659	6,323,383	6,491,175	6,570,954	6,602,975	7,478,047	7,508,750
Library	40,388	32,445	27,519	26,604	21,720	20,759	13,643	15,059	19,955	20,180
Parks and recreation	647,827	697,981	684,363	661,328	680,600	804,411	536,940	857,168	1,019,820	1,139,279
Development services ⁽¹⁾	46,301	55,663	64,665	68,134	59,280	57,900	57,730	75,593	88,592	56,435
Human resources ⁽²⁾	-	-	-	945,484	1,001,385	4,427,491	4,671,444	4,849,194	4,940,650	5,305,384
Risk management ⁽²⁾	765,858	769,341	766,273	-	-	-	-	-	-	-
Operating grants and contributions	2,531,117	2,354,400	2,342,212	2,307,693	2,640,821	3,702,644	6,921,753	7,998,302	10,173,618	13,714,349
Capital grants and contributions	3,323,007	2,182,193	4,223,636	11,066,377	6,856,649	7,601,899	6,607,989	6,250,746	8,311,469	10,279,952
Total governmental activities program revenue	24,491,539	24,029,206	26,801,224	35,390,500	33,033,169	40,590,284	43,209,131	44,455,951	51,124,317	58,561,728
Business-type activities:										
Charges for services:										
Sewer Fund	11,063,939	11,528,965	11,526,093	12,064,021	11,656,139	12,293,123	13,145,358	12,719,791	13,869,164	13,292,019
Solid Waste Management Fund	4,198,990	4,482,532	4,560,179	4,843,280	4,898,906	5,071,198	5,125,924	5,378,599	5,464,108	5,708,206
Operating grants and contributions	43,332	-	5,383	672	288,986	380,231	101,375	1,103	-	29,080
Capital grants and contributions	681,000	1,741,381	458,185	860,763	716,235	830,250	1,378,980	919,620	2,023,280	2,086,960
Total business-type activities program revenues	15,987,261	17,752,878	16,549,840	17,768,736	17,560,266	18,574,802	19,751,637	19,019,113	21,356,552	21,116,265
Total primary government program revenues	40,478,800	41,782,084	43,351,064	53,159,236	50,593,435	59,165,086	62,960,768	63,475,064	72,480,869	79,677,993
Net (expense)/revenue										
Governmental activities	(49,602,382)	(58,800,823)	(98,363,509)	(79,303,067)	(73,631,490)	(63,811,417)	(90,626,761)	(87,926,727)	(82,785,039)	(92,539,162)
Business-type activities	3,881,827	5,000,096	3,782,306	4,486,438	3,240,879	3,628,660	5,523,961	4,142,370	6,361,642	4,733,174
Total primary government net expense	(45,720,555)	(53,800,727)	(94,581,203)	(74,816,629)	(70,390,611)	(60,182,757)	(85,102,800)	(83,784,357)	(76,423,397)	(87,805,988)

⁽¹⁾ FY2012 through FY2018 represents only planning services. As of FY2019, due to the City reorganization, data includes development services administration, planning services, and inspection services.

⁽²⁾ In FY2017, charges for employee health and dental insurance premiums were regrouped from risk management to human resources.

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

General Revenues and Other Changes in Net Position	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Government activities:										
Taxes:										
Sales taxes	34,303,569	37,418,331	39,672,910	39,648,005	42,010,312	43,804,081	43,838,542	50,902,320	58,557,684	61,290,146
Occupational license fees	10,130,069	10,804,202	11,561,046	12,068,064	12,894,663	13,286,009	13,829,887	14,345,721	16,386,691	17,779,298
Property taxes	21,645,465	22,486,529	23,782,006	25,187,386	27,098,517	29,527,483	32,475,761	35,374,100	37,613,310	43,524,645
Motor fuel taxes	340,415	365,345	383,488	386,296	416,979	430,659	384,207	430,315	470,303	501,142
Lodging taxes	1,604,851	1,816,370	2,247,771	2,355,985	2,373,878	2,581,728	1,900,502	2,409,917	3,692,170	4,211,007
Rental and leasing taxes	612,457	768,245	799,550	890,599	886,630	856,729	985,837	962,586	975,941	869,750
Cigarette taxes	70,860	73,306	69,249	66,528	60,033	54,075	55,060	51,860	49,520	43,514
Alcoholic beverage taxes	170,559	180,604	202,213	215,281	230,642	220,932	240,033	310,976	346,502	371,402
Interest and investment earnings	327,499	488,820	729,863	505,746	965,995	1,967,021	1,345,326	144,884	1,384,642	4,872,964
Net increase (decrease) in fair value of investments ⁽¹⁾	-	-	-	-	-	-	-	-	(4,433,263)	457,597
Gain (loss) on disposal of assets	68,237	-	-	(221,202)	125,796	-	41,621	36,346	(44,695)	1,331,972
Miscellaneous	63,801	40,790	81,981	43,522	130,222	28,750	237,085	65,258	122,307	865,915
Transfers	(309,019)	130,979	118,755	110,605	559,003	(458,983)	(161,923)	108,253	12,971	56,129
Total governmental activities	69,028,763	74,573,521	79,648,832	81,256,817	87,752,670	92,298,484	95,171,938	105,142,536	115,134,083	136,175,481
Business-type activities:										
Interest and investment earnings	33,809	34,395	41,216	36,533	77,277	140,496	104,210	28,179	88,222	371,164
Net increase (decrease) in fair value of investments ⁽¹⁾	-	-	-	-	-	-	-	-	(649,799)	245,593
Gain (loss) on disposal of assets	22,700	78,422	21,770	40,403	19,350	68,571	61,180	-	9,041	50,767
Miscellaneous	5,622	7,326	23,736	16,982	6,594	30,196	21,555	31,692	26,141	3,983
Transfers	309,019	(130,979)	(118,755)	(110,605)	(559,003)	458,983	161,923	(108,253)	(12,971)	(56,129)
Total business-type activities	371,150	(10,836)	(32,033)	(16,687)	(455,782)	698,246	348,868	(48,382)	(539,366)	615,378
Total primary government	69,399,913	74,562,685	79,616,799	81,240,130	87,296,888	92,996,730	95,520,806	105,094,154	114,594,717	136,790,859
Changes in Net Position										
Governmental activities	19,426,381	15,772,698	(18,714,677)	1,953,750	14,121,180	28,487,067	4,545,177	17,215,809	32,349,044	43,636,319
Business-type activities	4,252,977	4,989,260	3,750,273	4,469,751	2,785,097	4,326,906	5,872,829	4,093,988	5,822,276	5,348,552
Total primary government	23,679,358	20,761,958	(14,964,404)	6,423,501	16,906,277	32,813,973	10,418,006	21,309,797	38,171,320	48,984,871

⁽¹⁾The City's investments experienced a decline in market value during fiscal 2022 because of extraordinary market conditions led by the Federal Reserve's aggressive interest rate policies. However, this loss of market value is unrealized, also known as a "paper" loss, and will not be realized because of the City's policy of purchasing investments and holding them until maturity.

Table 3
City of Auburn ~ Primary Government
General Government Tax Revenues by Source

Last Ten Fiscal Years

Fiscal Year	Sales & Use Tax	Cigarette & Alcohol Tax	Motor Fuel Tax	Lodging and Rental Tax	Financial Institution Tax	Motor Vehicle Tax	General Property Tax	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
2014	34,155,772	286,155	931,515	2,217,307	159,641	143,293	20,900,546	58,794,229
2015	36,511,752	303,455	991,613	2,584,615	279,282	146,908	21,746,672	62,564,297
2016	39,659,728	313,559	1,035,475	3,045,852	237,816	199,691	22,987,066	67,479,186
2017	39,648,005	312,323	1,044,000	3,246,585	356,709	160,200	24,296,138	69,063,959
2018	42,010,312	312,530	1,105,009	3,260,509	295,199	165,591	26,131,893	73,281,043
2019	43,804,081	286,298	1,136,674	3,438,453	541,525	172,365	28,544,944	77,924,339
2020	43,838,542	326,334	1,265,901	2,886,339	507,305	164,676	31,340,382	80,329,480
2021	50,902,320	398,147	1,517,566	3,372,503	1,228,971	177,698	34,394,244	91,991,449
2022	58,557,684	458,874	1,725,785	4,668,111	1,102,335	162,634	36,546,710	103,222,132
2023	61,290,146	470,508	1,799,993	5,080,757	1,153,031	162,565	42,390,022	112,347,021

Table 4
City of Auburn
Fund Balances of Governmental Funds

Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Fund										
Nonspendable	9,998,365	15,992,698	19,776,701	6,954,036	7,022,566	4,559,530	5,513,495	4,994,261	6,998,917	8,326,232
Restricted	341,705	343,988	343,769	305,255	313,696	2,231,277	236,054	247,949	343,491	529,859
Committed	-	-	-	-	-	-	1,765,891	1,531,881	1,277,849	1,103,656
Assigned	6,565,787	5,649,101	4,788,112	8,557,221	13,872,942	17,234,592	28,638,302	20,767,075	26,830,491	32,121,491
Unassigned	25,574,688	22,328,970	24,486,213	31,873,117	31,203,543	32,338,918	29,721,417	41,204,662	45,964,231	53,416,856
Total general fund	<u>42,480,545</u>	<u>44,314,757</u>	<u>49,394,795</u>	<u>47,689,629</u>	<u>52,412,747</u>	<u>56,364,317</u>	<u>65,875,159</u>	<u>68,745,828</u>	<u>81,414,979</u>	<u>95,498,094</u>
All other governmental funds										
Restricted	9,496,112	90,168,804 ⁽¹⁾	49,118,334	42,164,339	58,916,615	42,040,085	62,254,449	62,433,273	92,955,091	82,892,239
Committed	-	-	-	-	-	-	45,730	35,429	30,233	27,286
Unassigned	-	-	-	-	-	-	-	-	-	(20,684,129)
Total all other governmental funds	<u>9,496,112</u>	<u>90,168,804</u>	<u>49,118,334</u>	<u>42,164,339</u>	<u>58,916,615</u>	<u>42,040,085</u>	<u>62,300,179</u>	<u>62,468,702</u>	<u>92,985,324</u>	<u>62,235,396</u>

⁽¹⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

Table 5

City of Auburn

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	34,303,571	37,418,331	39,672,910	39,648,007	42,010,313
Occupational license fees	10,130,069	10,804,202	11,561,047	12,068,066	12,894,664
Motor fuel taxes	669,550	719,367	755,217	760,818	821,995
Lodging taxes	1,604,850	1,816,370	2,247,771	2,355,985	2,373,879
Rental and leasing taxes	612,457	768,245	799,550	890,599	886,630
Other taxes	241,419	253,910	271,462	281,809	290,677
Licenses and permits	10,638,252	11,302,434	11,856,992	12,893,642	13,372,006
General property tax	21,645,466	22,486,529	23,782,005	25,187,386	27,098,517
Charges for services	6,439,547	6,743,621	7,086,335	7,901,167	8,983,737
Fines and forfeitures	1,579,802	1,420,812	1,241,661	1,140,361	1,169,369
State shared taxes	1,279,503	1,424,458	1,455,324	1,515,559	1,818,616
Contributions from the public	1,826,242	668,974	1,611,684	2,241,224	1,187,166
Grants	1,807,224	3,318,443	820,258	3,537,706	2,235,880
Program income	517,638	474,915	287,464	362,754	1,260,228
Interest	327,498	488,821	729,862	505,747	965,995
Net increase (decrease) in fair value of investments ⁽¹⁾	-	-	-	-	-
Miscellaneous	97,957	64,914	85,438	47,753	132,886
Total revenues	93,721,045	100,174,346	104,264,980	111,338,583	117,502,558
Expenditures					
General government and administration	5,857,396	5,687,183	6,089,761	6,424,142	5,463,983
Public works	3,497,655	3,577,600	4,101,467	4,414,820	4,485,980
Environmental services	2,031,430	1,999,822	2,085,786	2,233,367	2,481,087
Public safety	18,067,357	18,521,534	19,322,321	20,420,507	22,505,037
Library	1,539,862	1,619,702	1,705,483	1,795,959	1,934,631
Parks and recreation	4,862,432	4,975,692	5,501,434	5,693,864	5,716,886
Development services ⁽²⁾	671,214	582,693	592,471	765,579	785,640
Social and economic development ⁽³⁾	2,381,356	2,351,410	1,551,178	1,502,143	3,438,973
Human resources ⁽⁴⁾	696,740	692,462	2,186,194	2,254,673	2,349,094
Risk management	1,356,823	1,660,020	360,932	299,416	443,694
Non-departmental	2,210,562	2,561,619	2,845,963	2,816,728	3,564,722
Debt service					
Administrative charges	4,730	873,419	4,469	50,969	350,641
Principal	13,094,561	11,953,556	11,023,833	10,051,635	10,589,055
Interest	5,268,067	4,675,061	7,239,054	7,314,955	7,372,615
Capital outlay	11,432,511	10,246,657	10,844,770	21,258,053	19,986,449
Intergovernmental	951,428	1,069,266	1,037,158	1,258,457	1,596,787
Payments to component units	19,679,683	26,858,347	64,065,542 ⁽⁵⁾	49,698,750 ⁽⁵⁾	37,030,288
Total expenditures	93,603,807	99,906,043	140,557,816	138,254,017	130,095,562
Excess of revenues over (under) expenditures	117,238	268,303	(36,292,836)	(26,915,434)	(12,593,004)
Other financing sources (uses)					
Debt issuance	-	94,638,169 ⁽⁶⁾	-	18,000,000	33,337,726
Refunding	-	-	-	-	-
Leases (as lessee)	-	-	-	-	-
Subscriptions	-	-	-	-	-
Sale of surplus assets	97,656	150,243	64,678	145,670	171,669
Transfers in	1,354,436	6,707,462	1,906,217	685,412	2,536,444
Transfers out	(1,663,455)	(6,576,483)	(1,787,462)	(574,808)	(1,977,441)
Premium on debt issued	-	-	-	-	-
Payment to refunded bond escrow	-	(12,680,790)	-	-	-
Total other financing sources (uses)	(211,363)	82,238,601	183,433	18,256,274	34,068,398
Net changes in fund balances	(94,125)	82,506,904	(36,109,403)	(8,659,160)	21,475,394
Debt service as a percentage of non-capital expenditures ⁽⁷⁾	22.3%	18.5%	14.1%	14.8%	16.3%

(1) The City's investments experienced a decline in market value during fiscal 2022 because of extraordinary market conditions led by the Federal Reserve's aggressive interest rate policies. However, this loss of market value is unrealized, also known as a "paper" loss, and will not be realized because of the City's policy of purchasing investments and holding them until maturity.

(2) FY2013 through FY2018 represents only the planning department. As of FY2019, due to the City reorganization, development services encompasses planning services, engineering services, and development services administration.

(3) FY2013 through FY2018 represents only the economic development department. As of FY2019, due to the City reorganization, social and economic development encompasses economic development and community services.

(4) As of FY2019 employee services has been renamed human resources.

(5) This increase was due to transfers of debt proceeds issued in fiscal 2015 for the Board of Education and held by the City. Transfers of the proceeds are made as construction progresses on the construction of a new high school.

(6) This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

(7) Non-capital expenditures equals total expenditures less capital outlay.

Table 5

City of Auburn

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Continued

	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$
Revenues					
Sales and use taxes	43,804,081	43,838,542	50,902,320	58,557,684	61,290,146
Occupational license fees	13,286,009	13,829,887	14,345,722	16,386,691	17,779,298
Motor fuel taxes	848,822	755,957	847,065	923,967	985,729
Lodging taxes	2,581,724	1,900,502	2,409,917	3,692,170	4,211,007
Rental and leasing taxes	856,729	985,837	962,586	975,941	867,514
Other taxes	275,007	295,093	362,836	396,022	414,915
Licenses and permits	15,188,191	15,704,555	15,242,735	16,913,634	18,368,518
General property tax	29,527,483	32,475,761	35,374,098	37,613,310	43,524,645
Charges for services	12,863,016	12,999,117	13,631,070	14,788,026	15,360,807
Fines and forfeitures	1,217,691	961,963	1,307,711	869,517	801,213
State shared taxes	2,728,550	4,034,739	5,760,393	7,600,865	8,610,375
Contributions from the public	1,030,233	897,736	1,007,754	989,653	392,777
Grants	1,761,088	2,828,665	2,517,156	3,209,344	7,396,351
Program income	524,711	286,633	243,812	582,435	415,991
Interest	1,967,021	1,345,326	144,883	1,384,642	4,872,965
Net increase (decrease) in fair value of investments ⁽¹⁾	-	-	-	(4,433,263)	457,598
Miscellaneous	30,599	238,124	65,661	122,552	866,414
Total revenues	<u>128,490,955</u>	<u>133,378,437</u>	<u>145,125,719</u>	<u>160,573,190</u>	<u>186,616,263</u>
Expenditures					
General government and administration	5,676,946	5,792,994	5,951,627	6,643,559	6,685,631
Public works	3,518,894	4,868,894	4,401,283	4,475,985	4,774,355
Environmental services	1,590,544	1,734,247	1,751,207	1,923,449	1,898,796
Public safety	24,463,675	23,900,423	26,331,856	28,432,356	30,680,562
Library	2,297,433	2,405,973	2,258,220	2,517,251	2,849,250
Parks and recreation	5,837,058	5,460,467	5,761,152	6,563,005	13,227,099
Development services ⁽²⁾	5,118,011	5,189,569	5,207,928	5,592,383	6,188,060
Social and economic development ⁽³⁾	4,020,308	4,119,737	5,051,653	5,552,426	5,526,963
Human resources ⁽⁴⁾	6,798,012	6,648,145	8,407,879	9,460,516	10,183,490
Risk management	415,129	270,056	416,940	550,661	551,046
Non-departmental	3,026,233	3,519,180	3,878,017	3,734,061	4,855,966
Debt service					
Administrative charges	85,709	468,260	231,506	494,459	(1,905)
Principal	9,885,744	9,959,683	12,080,142	11,263,759	13,816,665
Interest	8,209,633	8,474,090	9,045,978	9,019,527	10,978,435
Capital outlay	34,272,664	26,709,298	29,405,937	38,172,936	51,080,427
Intergovernmental	1,777,751	1,682,635	1,073,620	1,510,752	6,445,290
Payments to component units	24,093,271	50,206,826	41,272,307	37,284,851	37,214,152
Total expenditures	<u>141,087,015</u>	<u>161,410,477</u>	<u>162,527,252</u>	<u>173,191,936</u>	<u>206,954,282</u>
Excess of revenues over (under) expenditures	(12,596,060)	(28,032,040)	(17,401,533)	(12,618,746)	(20,338,019)
Other financing sources (uses)					
Debt issuance	5,259,668	53,090,000	17,915,000	48,925,000	-
Refunding	-	14,625,000	10,955,000	10,245,831	-
Leases (as lessee)	-	-	-	289,279	30,301
Subscriptions	-	-	-	-	2,142,715
Sale of surplus assets	88,582	103,750	572,417	27,972	1,442,061
Transfers in	618,701	1,806,107	1,239,775	5,201,942	1,453,585
Transfers out	(1,077,684)	(1,968,029)	(1,131,522)	(5,188,972)	(1,397,456)
Premium on debt issued	-	4,771,149	2,249,346	7,553,490	-
Payment to refunded bond escrow	(5,218,168)	(14,625,000)	(10,857,256)	(11,250,028)	-
Total other financing sources (uses)	<u>(328,901)</u>	<u>57,802,977</u>	<u>20,942,760</u>	<u>55,804,514</u>	<u>3,671,206</u>
Net changes in fund balances	<u>(12,924,961)</u>	<u>29,770,937</u>	<u>3,541,227</u>	<u>43,185,768</u>	<u>(16,666,813)</u>
Debt service as a percentage of non-capital expenditures ⁽⁷⁾	16.9%	13.7%	15.9%	15.0%	15.9%

⁽¹⁾ The City's investments experienced a decline in market value during fiscal 2022 because of extraordinary market conditions led by the Federal Reserve's aggressive interest rate policies. However, this loss of market value is unrealized, also known as a "paper" loss, and will not be realized because of the City's policy of purchasing investments and holding them until maturity.

⁽²⁾ FY2013 through FY2018 represents only the planning department. As of FY2019, due to the City reorganization, development services encompasses planning services, engineering services, and development services administration.

⁽³⁾ FY2013 through FY2018 represents only the economic development department. As of FY2019, due to the City reorganization, social and economic development encompasses economic development and community services.

⁽⁴⁾ As of FY2019 employee services has been renamed human resources.

⁽⁵⁾ This increase was due to transfers of debt proceeds issued in fiscal 2015 for the Board of Education and held by the City. Transfers of the proceeds are made as construction progresses on the construction of a new high school.

⁽⁶⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

⁽⁷⁾ Non-capital expenditures equals total expenditures less capital outlay.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Apparel Stores	51,655	56,558	53,115	52,416	50,342	49,418	39,333	47,092	60,609	64,134
Grocery Stores	122,960 ⁽¹⁾	130,561	146,793	164,818	169,942	125,006	157,037	167,186	186,535	238,902
Eating & Drinking Establishments	153,152	166,863	184,695	191,206	200,133	218,815	204,584	248,876	289,790	308,691
Mass General Merchandise Stores	81,345 ⁽¹⁾	85,900	87,640	90,626	93,225	97,982	144,825	154,377	166,158	175,473
Auto Dealers & Supplies	48,882	52,936	53,992	55,658	57,961	60,323	62,516	70,841	76,479	81,807
Building Materials	46,000	51,865	55,841	60,923	66,589	72,875	83,195	110,702	94,849	105,127
Home Furnishing & Appliances	18,209	20,302	24,702	25,399	31,690	31,268	30,385	37,039	40,151	43,805
All Other Retail Sales	313,376	335,521	368,646	333,866	364,157	439,787	395,028	436,446	549,370	514,314
Totals	835,579	900,507	975,424	974,912	1,034,039	1,095,474	1,116,902	1,272,558	1,463,942	1,532,254

⁽¹⁾ Beginning in FY2014 the total sales of big box retailers are split between "Grocery Stores" and "Mass General Merchandise Stores".

Table 7
City of Auburn ~ Primary Government
Revenue Rates for General Sales Tax
 Last Ten Fiscal Years
Unaudited

Fiscal Year	City Sales Tax	County Sales Tax	State Sales Tax	Total Sales Tax
2014	4.0%	1.0%	4.0%	9.0%
2015	4.0%	1.0%	4.0%	9.0%
2016	4.0%	1.0%	4.0%	9.0%
2017	4.0%	1.0%	4.0%	9.0%
2018	4.0%	1.0%	4.0%	9.0%
2019	4.0%	1.0%	4.0%	9.0%
2020	4.0%	1.0%	4.0%	9.0%
2021	4.0%	1.0%	4.0%	9.0%
2022	4.0%	1.0%	4.0%	9.0%
2023	4.0%	1.0%	4.0%	9.0%

Source: State of Alabama Department of Revenue

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

Current Year and Nine Years Ago

Unaudited

Employer	2014 Rank	2023 Rank
Sam's Club	2	1
Wal-Mart Store	1	2
Auburn University Financial Reporting	3	3
Kroger	4	4
Publix - Cary Creek	5	5
Publix - Moore's Mill	8	6
Auburn University Dining (Chartwells and Aramark)	10	7
Buc-ees	-	8
Wal-Mart #4673	-	9
Russell Building Supply	6	10

⁽¹⁾ State law prohibits the disclosure of the amount of sales tax remitted and any information that could enable the disclosure or calculation of confidential taxpayer information.

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

Last Ten Fiscal Years

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

Unaudited

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	
	General Obligation Bonds	Notes Payable	Leases	Subscriptions	General Obligation Bonds ⁽¹⁾	Total Debt Primary Government	Total Debt as Percentage of Personal Income	Total Debt Per Capita
	\$	\$	\$	\$	\$	\$		\$
2014	127,035	1,782	-	-	45,899	174,716	12.48%	3,023
2015 ⁽²⁾	196,429	3,143	-	-	46,755	246,327	15.91%	3,961
2016	184,967	2,965	-	-	44,127	232,059	14.81%	3,739
2017	192,494	2,787	-	-	41,333	236,614	13.87%	3,572
2018	214,785	2,608	-	-	38,419	255,812	14.34%	3,914
2019	204,506	2,428	-	-	35,142	242,076	13.05%	3,614
2020 ⁽³⁾	251,040	2,248	-	-	32,021	285,309	14.66%	4,180
2021	259,754	2,069	-	-	29,220	291,043	12.92%	4,184
2022 ⁽⁴⁾	302,241	1,890	240	-	25,172	329,543	12.41%	4,195
2023	288,536	1,711	192	1,340	21,421	313,200	11.15%	3,915

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

⁽¹⁾ The City has issued General Obligation Bonds/Warrants for the Sewer Fund. It is the intention of the Council that the Bonds/Warrants be repaid from Sewer Fund revenue.

⁽²⁾ This increase was due to the issuance of \$78.1 million in bonds for the Board of Education's construction of a new high school.

⁽³⁾ This increase was due primarily to the issuance of \$37.1 million in bonds for the Board of Education's school renovation projects.

⁽⁴⁾ This increase was due to the issuance of \$62.8 million in warrants for various capital improvements and to refund debt previously issued for the the Board of Education and the Sewer Fund.

Table 10
City of Auburn ~ Primary Government
Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt ⁽¹⁾	Net Bonded Debt as Percent of Estimated Actual Taxable Value of Property	Net Bonded Debt per Capita
	\$	\$	\$		\$
2014	128,817,154	2,477,786	126,339,368	16.27%	2,186
2015	199,571,962 ^(2,3)	2,531,934	197,040,028	24.47%	3,169
2016	187,931,805	3,776,254	184,155,551	21.74%	2,967
2017	195,281,110 ⁽⁴⁾	4,717,407	190,563,703	21.24%	2,966
2018	217,392,835 ⁽⁵⁾	6,018,214	211,374,621	21.84%	3,234
2019	206,934,171 ⁽⁶⁾	7,838,599	199,095,572	18.88%	2,972
2020	253,287,999 ⁽⁷⁾	9,348,584	243,939,415	20.92%	3,574
2021	261,822,656 ⁽⁸⁾	9,300,463	252,522,193	19.76%	3,630
2022	304,131,371 ⁽⁹⁾	9,649,649	294,481,722	21.63%	3,748
2023	290,247,406	10,816,521	279,430,885	17.78%	3,493

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

⁽¹⁾ Net bonded debt equals: G.O. bonds, notes, and warrants outstanding (net of related premiums, discounts, and adjustments), less Debt Service funds' equity. Calculations exclude the G.O. debt intended to be repaid from Sewer Fund revenues.

⁽²⁾ City issued \$32.0 million of G.O. Warrants to refund outstanding debt and provide for school improvements.

⁽³⁾ City issued \$78.1 million of G.O. Bonds to pay the costs of new school construction, capital improvements to existing schools and land purchases, under the jurisdiction of the Board of Education.

⁽⁴⁾ City issued \$18.0 million of G.O. Warrants to pay the costs of new school construction and equipment, under the jurisdiction of the Board of Education.

⁽⁵⁾ City issued \$30.6 million of G.O. Warrants to pay the costs of construction of a new public safety complex.

⁽⁶⁾ City issued \$14.9 million of G.O. Warrants to refund outstanding debt.

⁽⁷⁾ City issued \$37.1 million of G.O. Bonds for Board of Education school renovation projects.

⁽⁸⁾ City issued \$28.9 million of G.O. Warrants to refund outstanding debt and provide for school improvements.

⁽⁹⁾ City issued \$62.2 million of G.O. Warrants to refund outstanding debt and provide for capital improvements.

Table 11
City of Auburn ~ Primary Government
Direct and Overlapping Governmental Activities Debt
 Fiscal Year 2023
 Unaudited

	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
<u>City of Auburn Direct Debt</u>			
General Bonded Debt and Warrants	\$ 290,247,406		
Leases	191,526		
Subscriptions	1,340,196		
Net Direct Debt	<u>\$ 291,779,128</u>	100%	\$ 291,779,128
<u>Overlapping Debt</u>			
Lee County General Bonded Debt and Warrants	\$ 24,977,585	44%	<u>11,054,509</u>
Total Direct and Overlapping Debt			<u>\$ 302,833,637</u>

Sources: General bonded debt and warrants provided by the Lee County Administrator.

⁽¹⁾The percentage of overlapping Lee County debt applicable is estimated based on estimated population of the City of Auburn as compared to estimated over all population in Lee County. Population estimates from US Census for 2022.

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

Last Ten Fiscal Years
(amounts expressed in thousands)
Unaudited

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	155,255	167,626	169,409	179,407	193,538	210,863	233,217	255,640	272,302	314,307
Total net debt applicable to limit	<u>46,895</u>	<u>38,387</u>	<u>31,083</u>	<u>24,897</u>	<u>49,634</u>	<u>44,659</u>	<u>55,855</u>	<u>50,619</u>	<u>95,853</u>	<u>91,206</u>
Legal debt margin	<u>108,360</u>	<u>129,239</u>	<u>138,326</u>	<u>154,510</u>	<u>143,904</u>	<u>166,204</u>	<u>177,362</u>	<u>205,021</u>	<u>176,449</u>	<u>223,101</u>
Total net debt applicable to limit as a percentage of debt limit	30.21%	22.90%	18.35%	13.88%	25.65%	21.18%	23.95%	19.80%	35.20%	29.02%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed value	<u>\$ 1,571,534,047</u>
Debt limit (20% of total assessed value)	<u>\$ 314,306,809</u>
Debt applicable to limit:	
General obligation bonds	\$ 291,751,272
Less: Exempt Debt	<u>200,545,034</u>
Total net debt applicable to limit	91,206,238
Legal debt margin	<u>\$ 223,100,571</u>

Table 13
City of Auburn ~ Primary Government
Pledged Revenue Coverage

Last Ten Fiscal Years
Unaudited

Fiscal Year	Sewer G.O. Warrants ⁽¹⁾					
	Sewer Charges and Other ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Available Revenue (A)	Principal (B)	Interest (C)	Coverage ⁽⁴⁾ A/(B+C)
	\$	\$	\$	\$	\$	
2014	11,106,938	3,868,822	7,238,116	2,140,000	2,074,208	1.72
2015	11,631,200	4,443,489	7,187,711	2,205,000	2,147,458	1.65
2016	11,587,751	4,270,841	7,316,910	2,395,000	1,765,887	1.76
2017	12,129,675	4,521,369	7,608,306	2,560,000	1,672,393	1.80
2018	11,731,016	5,194,755	6,536,261	2,680,000	1,537,888	1.55
2019	12,461,731	5,363,556	7,098,175	2,788,000	1,349,769	1.72
2020	13,314,680	5,143,992	8,170,688	2,936,000	1,192,720	1.98
2021	12,758,250	5,345,992	7,412,258	3,044,000	1,208,046	1.74
2022	13,983,195	5,860,706	8,122,489	3,475,000	619,601	1.98
2023	13,947,633	6,439,368	7,508,265	3,562,700	419,330	1.89

(1) General Obligation warrants issued but paid by Sewer Service Fee revenue.

(2) Includes sewer service charges, tapping fees, sewer access fees, gains on property disposals and other non-operating revenues.

(3) Includes operating expenses and operating transfers out less depreciation expense.

(4) Coverage illustrates the Sewer Fund's ability to pay its debt service. A ratio of one or greater indicates sufficient earnings to cover the debt payments.

Table 14
City of Auburn ~ Primary Government
Demographic and Economic Statistics

Last Ten Fiscal Years

Unaudited

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Personal Income (expressed in thousands) ⁽³⁾	Unemployment Rate ⁽⁴⁾
		\$	\$	
2014	60,258	33,064	1,992,371	4.9%
2015	62,059	33,622	2,086,548	4.9%
2016	63,118	34,372	2,169,492	4.9%
2017	63,973	36,941	2,363,227	4.9%
2018	65,378	38,036	2,486,718	3.5%
2019	66,259	39,781	2,635,849	2.9%
2020	76,143	42,468	3,233,641	5.4%
2021	78,552	45,002	3,534,997	2.5%
2022	80,006	46,691	3,735,560	2.5%
2023	*	*	*	2.2%

⁽¹⁾ U. S. Census Bureau

⁽²⁾ U. S. Department of Commerce, Bureau of Economic Analysis (data reported for Auburn-Opelika MSA)

⁽³⁾ "Population" multiplied by "Per Capita Personal Income"

⁽⁴⁾ U.S. Bureau of Labor Statistics

* Data not available at time of publication

Table 15
City of Auburn ~ Primary Government
Principal Employers

Current Year and Nine Years Ago

Unaudited

Employer	2014			2023		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Auburn University ⁽¹⁾	7,820	1	31.40%	8,940	1	26.98%
Auburn City Schools	950	2	3.82%	1,160	2	3.50%
City of Auburn and Auburn Water Works Board	650	3	2.61%	790	3	2.38%
Briggs & Stratton Corporation	460	4	1.85%	640	4	1.93%
Aptar CSP Technologies, Inc.	345	6	1.39%	590	5	1.78%
Wal-Mart	335	7	1.35%	450	6	1.36%
East Alabama Health	-	-	0.00%	360	7	1.09%
Publix	-	-	0.00%	350	8	1.06%
SCA, Inc.	420	5	1.69%	290	9	0.88%
Buc-ee's	-	-	0.00%	250	10	0.75%
Total	10,980		44.09%	13,820		41.71%

⁽¹⁾ Includes temporary and seasonal employees.

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

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government and administration ⁽¹⁾	76	76	76	77	77	46	46	49	49	49
Public Works ⁽²⁾										
Administration	-	-	-	-	-	3	3	3	3	4
Maintenance	-	-	-	-	-	9	7	7	7	9
Facilities	-	-	-	-	-	4	4	4	4	4
Construction ⁽³⁾	18	18	18	19	38	9	10	10	10	9
Landscape and sustainability	-	-	-	-	-	10	8	8	8	8
Right of way ⁽³⁾	7	7	7	7	-	7	13	13	13	14
Inspection ⁽⁴⁾	6	6	6	7	7	-	-	-	-	-
Traffic engineering ⁽⁴⁾	3	4	4	5	5	-	-	-	-	-
Environmental Services										
Administration	-	-	-	-	-	5	4	4	4	4
Recycling	16	16	16	16	16	15	16	16	16	18
Solid waste	16	16	16	16	16	17	17	17	17	18
Animal control	2	2	2	3	3	3	3	3	3	3
Fleet services	10	10	10	10	10	10	10	10	10	10
Public Safety										
Administration	-	-	-	-	-	3	3	3	4	5
Police	116	116	117	129	142	143	156	156	156	156
Communications	11	11	13	13	13	13	14	18	18	18
Fire	43	43	43	43	43	49	49	65	65	75
Library	18	19	19	19	19	19	19	19	19	20
Parks and Recreation										
Administration	-	-	-	-	-	5	5	5	5	5
Leisure services	15	16	17	17	19	17	14	14	14	14
Parks and facilities ⁽³⁾	26	26	26	26	23	23	23	27	27	30
Development Services										
Administration	-	-	-	-	-	3	3	3	3	3
Planning services ⁽⁵⁾	-	-	-	-	-	7	7	7	7	8
Inspection services ⁽⁶⁾	8	8	9	10	13	14	15	15	16	16
Engineering services ⁽⁴⁾	11	11	11	9	13	25	26	26	26	27
Social and economic development										
Economic development ⁽⁷⁾	12	12	12	12	13	9	9	9	9	9
Community services ⁽⁷⁾	-	-	-	-	-	4	4	5	6	6
Human resources ⁽⁸⁾	-	-	-	-	-	6	6	8	8	8
Risk management ⁽⁸⁾	-	-	-	-	-	2	2	1	1	1
Sewer ⁽⁹⁾										
Administration	-	-	-	-	-	6	8	8	8	8
Sewer maintenance ⁽¹⁰⁾	17	19	21	20	18	16	16	16	16	16
Line locating ⁽¹⁰⁾	-	-	-	-	-	4	4	3	3	3
Watershed maintenance	-	-	-	-	-	3	4	4	4	4
Total	431	436	443	458	488	509	528	556	559	582

Source: City of Auburn Human Resources Department

Due to the City reorganization the following changes have been made:

- (1) As of FY2019, all administration divisions have been removed from general government and administration and placed in their respective departments
- (2) As of FY2019, public works is now five divisions: maintenance, facilities, construction, landscape and sustainability, and right of way
- (3) Environmental services-right of way and parks and recreation-parks and facilities employees moved to the public works-construction and maintenance division, and seven temporary part-time positions were converted to regular-full time
- (4) As of FY2019, public works-traffic engineering and public works-inspections were transitioned to engineering services
- (5) As of FY2019, planning is no longer reported with general government and administration
- (6) As of FY2019, inspection services (codes enforcement) is no longer a division of the Public Safety department
- (7) As of FY2019, community services has been transitioned out of economic development
- (8) As of FY2019, human resources and risk management have been transitioned out of general government and administration
- (9) As of FY2019, sewer-administration and watershed maintenance transitioned out of general government and administration
- (10) As of FY2019, sewer maintenance was split into two divisions, sewer maintenance and line locating

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Physical arrests	3,102	3,679	2,957	2,612	2,703	3,133	2,265	3,111	3,384	2,904
Traffic violations	18,557	21,805	16,518	26,970	27,357	29,446	25,004	25,100	25,821	13,467
Calls for service	*	*	184,429	211,860	248,030	246,303	258,511	253,752	224,773	204,821
Fire										
Number of calls answered	4,948	4,950	5,532	5,900	5,850	6,000	5,880	6,848	7,134	7,392
Inspections	1,879	1,946	1,750	2,170	2,170	2,184	1,500	2,100	2,200	1,652
Public Works										
Potholes repaired	87	18	23	19	42	110	78	82	102	81
Environmental Services										
Refuse collected (tons/day) ⁽¹⁾	101	104	108	112	116	115	119	118	120	118
Recyclable collected (tons/day) ⁽¹⁾	4.96	5.03	5.09	5.21	6.65	9.21	11.24	11.17	10.57	10.91
Parks and Recreation										
Athletic participants	6,069	6,846	15,002 ⁽²⁾	17,159	15,818	16,119	3,578	15,824	8,754	9,015
Recreation center admissions	292,933	216,416	379,704 ⁽²⁾	434,806	456,356	377,644	163,807	190,153	332,289	265,277
Sewer										
Average daily sewage treatment (millions of gallons)	7.54	7.50	7.56	8.06	8.46	8.60	9.55	9.32	8.96	9.02

Source: City departments

* New operating indicator for 2016

⁽¹⁾Each year consists of 251 work days.

⁽²⁾Represents a change in methodology

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety										
Police Stations		1	1	1	2	2	2	2	2	2
Police Patrol units		94	96	100	113	116	114	124	124	127
Fire stations		5	5	5	5	5	5	5	6	6
Environmental Services										
Collection trucks		8	8	8	8	8	8	8	8	8
Public Works										
Streets (lane miles)		742	624 ⁽¹⁾	627	635	648	672	689	695	701
Engineering Services										
Signaled Intersections		61	61	63	64	64	66	66	66	72
Parks and Recreation										
Parks acreage		1,944	1,956	2,022	2,195	2,195	2,198	2,195	2,208	2,208
Swimming pools		2	2	2	2	1 ⁽²⁾	1	1	1	1
Pickleball courts		-	-	-	-	-	-	-	6	6
Tennis courts		44	44	44	44	40 ⁽³⁾	40	40	38	38
Community centers		5	5	5	5	5	5	5	5	5
Community Skate Park		-	-	-	-	-	1	1	1	1
Sewer										
Sanitary sewers (miles)		350	350	350	350	350	350	339	339	340
Maximum daily treatment capacity (millions of gallons)		13	13	13	13	13	13	13	13	27

Source: City departments

⁽¹⁾ Represents a change in methodology

⁽²⁾ Pool at Drake Middle School no longer in use

⁽³⁾ Replaced 4 tennis courts with the Auburn-Opelika Joint Skate Park



ENVIRONMENTAL SERVICES AND PUBLIC WORKS COMPLEX