

# CITY OF AUBURN, MAINE

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Finance Department

## ANNUAL FINANCIAL REPORT

For Fiscal Year Ended  
June 30, 2022

**Prepared By:**  
*Finance and Management*

**CITY OF AUBURN, MAINE**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2022**

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Certified Public Accountants and Business Consultants

## Report of Independent Auditors

City Council  
City of Auburn, Maine:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, Maine, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Auburn, Maine's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, Maine, as of June 30, 2022, and the respective changes in financial position, the respective budgetary comparison for the General Fund, and where applicable, cash flows thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, 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. We are required to be independent of the City of Auburn, Maine 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***

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, Maine'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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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, Maine'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, Maine'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 and schedules related to the pension and OPEB liabilities, as listed in the table of contents, 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, Maine's basic financial statements. The accompanying combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was 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 fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2023 on our consideration of the City of Auburn, Maine'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 the City of Auburn, Maine's 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, Maine's internal control over financial reporting and compliance.



August 29, 2023  
South Portland, Maine

## **Management's Discussion and Analysis Fiscal Year Ended June 30, 2022**

As management of the City of Auburn, Maine, we offer this narrative overview and analysis of the financial activities of the City of Auburn, Maine for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal to this 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 most recent fiscal year by \$86,190,554 (*net position*).
- The City of Auburn's total net position increased by \$5,816,104.
- As of the end of the current fiscal year, the City of Auburn's governmental funds reported combined ending fund balances of \$108,110,267 an increase of \$23,852,708 in comparison with the prior year.
- At the end of the current fiscal year, total assigned and unassigned fund balance for the General Fund was \$15,601,896, or 16.7% of total General Fund expenditures (budgetary basis – excluding transfers).
- The City of Auburn issued one bond for \$9,800,000 for its Capital Improvement Plan, and one bond for \$50,270,000 to finish construction of Edward Little High School. The \$9,800,000 issuance with the addition of bond premium of \$1,085,242 will be used for the following projects: to fund the City's street, sidewalk and infrastructure improvements; purchase multiple pieces of heavy equipment; and for building improvements. Of the total \$10,885,242, \$1,250,000 will fund various school capital projects.

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

This discussion and analysis is intended to serve as an introduction to the City of Auburn's basic financial statements. The City of Auburn's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Auburn's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Auburn's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Auburn that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government; public safety; health, welfare and recreation; public works, including highways, streets, and solid waste disposal; other agencies; education; and interest on debt. The City has two business-type activities, Ingersoll Turf Facility and Norway Savings Bank Ice Arena. The government-wide financial statements can be found on pages 17-18 of this report.

## **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Auburn, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial 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. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Auburn maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Development Programs, Tax Increment Financing, Capital Improvement Program, and New Edward Little Building Project, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Auburn adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

### **Proprietary funds**

The City of Auburn maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Auburn uses the enterprise fund to account for its operations of Ingersoll Turf Facility and Norway Savings Bank Ice Arena.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 40-41 of this report.

### **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Auburn's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

## Notes to basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 30-69 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that can be found beginning on page 70 of this report.

The combining statements referred to earlier in connection with governmental funds are presented immediately following the required supplementary information. The combining and individual fund statements and schedules can be found on pages 79-91 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Auburn, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$86,190,554 at the close of the most recent fiscal year.

#### City of Auburn's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021 (restated)	2022	2021	2022	2021 (restated)
Current and other assets	\$ 148,828,774	107,245,568	(875,413)	(1,247,422)	147,953,361	105,998,146
Capital assets	181,007,966	144,653,351	211,519	284,771	181,219,485	144,938,122
<b>Total assets</b>	<b>329,836,740</b>	<b>251,898,919</b>	<b>(663,894)</b>	<b>(962,651)</b>	<b>329,172,846</b>	<b>250,936,268</b>
Deferred outflows of resources:						
Related to pensions	6,231,305	3,793,246	53,936	16,223	6,285,241	3,809,469
Related to OPEB	1,981,633	1,979,150	4,248	717	1,985,881	1,979,867
<b>Total deferred outflows of resources</b>	<b>8,212,938</b>	<b>5,772,396</b>	<b>58,184</b>	<b>16,940</b>	<b>8,271,122</b>	<b>5,789,336</b>
Noncurrent liabilities	200,089,472	153,257,803	64,494	100,465	200,153,966	153,358,268
Other liabilities	38,375,679	22,196,547	16,574	6,360	38,392,253	22,202,907
<b>Total liabilities</b>	<b>238,465,151</b>	<b>175,454,350</b>	<b>81,068</b>	<b>106,825</b>	<b>238,546,219</b>	<b>175,561,175</b>
Deferred inflows of resources:						
Deferred charge on refunding	70,455	84,545	-	-	70,455	84,545
Related to pensions	11,658,082	348,533	117,841	1,055	11,775,923	349,588
Related to OPEB	856,449	890,338	4,368	1,865	860,817	892,203
<b>Total deferred inflows of resources</b>	<b>12,584,986</b>	<b>1,323,416</b>	<b>122,209</b>	<b>2,920</b>	<b>12,707,195</b>	<b>1,326,336</b>
Net investment in capital assets	79,192,365	81,828,684	211,519	284,771	79,403,884	82,113,455
Restricted	12,376,454	7,417,293	-	-	12,376,454	7,417,293
Unrestricted	(4,569,278)	(7,816,071)	(1,020,506)	(1,340,227)	(5,589,784)	(9,156,298)
<b>Total net position</b>	<b>\$ 86,999,541</b>	<b>81,429,906</b>	<b>(808,987)</b>	<b>(1,055,456)</b>	<b>86,190,554</b>	<b>80,374,450</b>



By far, the largest portion of the City of Auburn's net position (92.14% or \$79,412,284) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding, and adding back any unspent bond proceeds. The City has made a conscious effort to continue its investment in long-term infrastructure improvements such as storm water separation, roadways, traffic improvements, sidewalks, facilities, and large equipment. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Auburn's net position (13.9%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted *net position* is a deficit of (\$5,222,026).

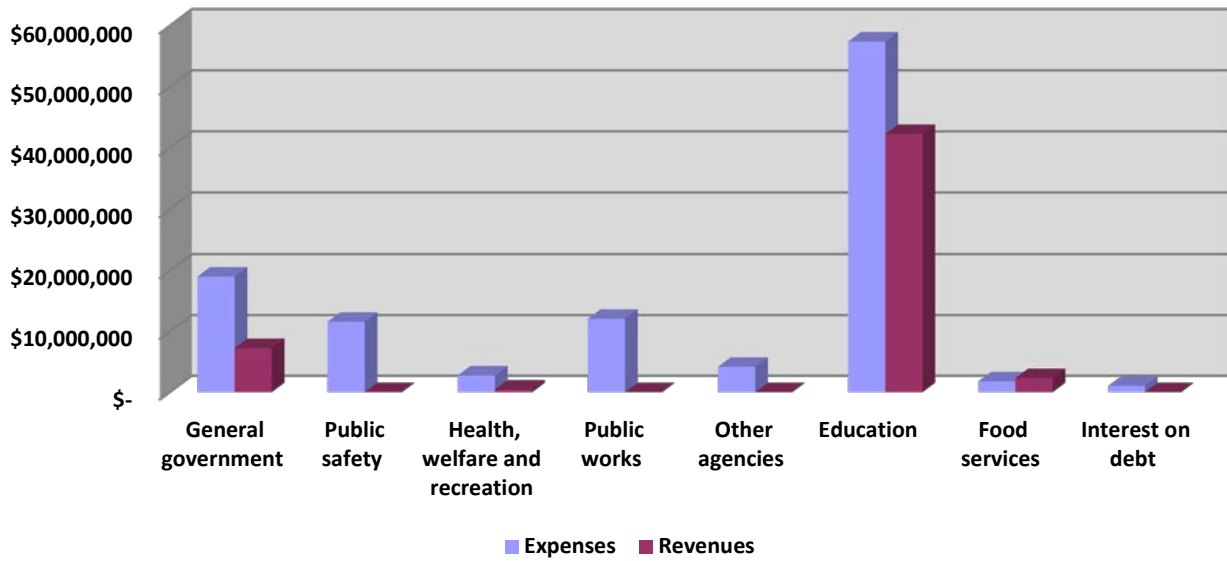
	City of Auburn's Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021 (restated)	2022	2021	2022	2021 (restated)
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,662,250	3,978,058	1,208,852	886,712	5,871,102	4,864,770
Operating grants and contributions	47,640,168	47,580,889	-	-	47,640,168	47,580,889
Capital grants and contributions	105,264	1,279,725	-	-	105,264	1,279,725
General revenues:						
Property and other taxes	51,817,513	51,032,434	-	-	51,817,513	51,032,434
Grants and contributions not restricted to specific programs	10,930,217	9,370,542	-	-	10,930,217	9,370,542
Other	541,266	339,769	634	1,289	541,900	341,058
Total revenues	115,696,678	113,581,417	1,209,486	888,001	116,906,164	114,469,418
<b>Expenses:</b>						
General government	19,070,440	14,663,651	-	-	19,070,440	14,663,651
Public safety	11,641,876	11,076,827	-	-	11,641,876	11,076,827
Health, welfare and recreation	2,764,421	2,985,799	-	-	2,764,421	2,985,799
Public works	12,146,351	13,544,720	-	-	12,146,351	13,544,720
Local agency support	4,196,458	3,942,717	-	-	4,196,458	3,942,717
Education	57,454,051	56,451,019	-	-	57,454,051	56,451,019
Interest on debt	1,068,789	1,463,253	-	-	1,068,789	1,463,253
Food services	1,784,657	2,194,313	-	-	1,784,657	2,194,313
Ingersoll Turf Facility	-	-	177,119	205,194	177,119	205,194
Norway Savings Bank Arena	-	-	785,898	698,522	785,898	698,522
Total expenses	110,127,043	106,322,299	963,017	903,716	111,090,060	107,226,015
Change in net position	5,569,635	7,259,118	246,469	(15,715)	5,816,104	7,243,403
Net position - July 1, restated	81,429,906	74,170,788	(1,055,456)	(1,039,741)	80,374,450	73,131,047
<b>Net position - June 30</b>	<b>\$ 86,999,541</b>	<b>81,429,906</b>	<b>(808,987)</b>	<b>(1,055,456)</b>	<b>86,190,554</b>	<b>80,374,450</b>

## Governmental Activities

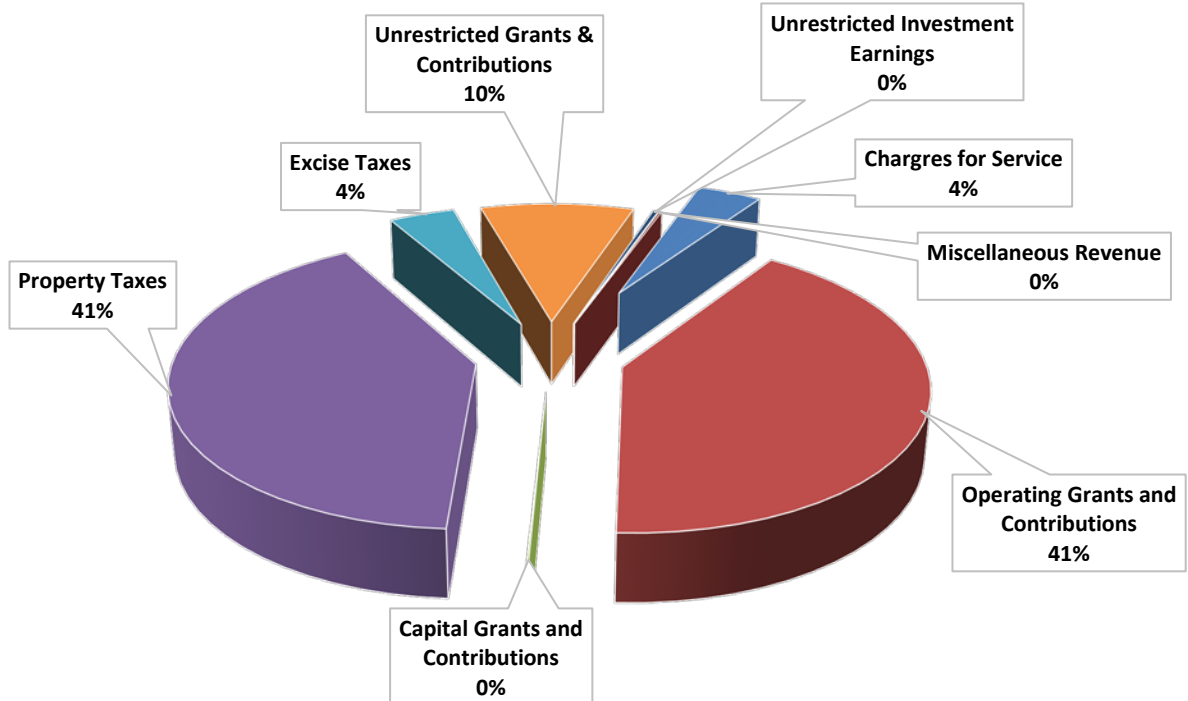
Governmental activities increased the City of Auburn's net position by \$5,569,635. Key elements of this increase are as follows:

- The City received more in operating grants and contributions during the current fiscal year.
- This increase was also from an increase in unrestricted grants and contributions of \$1,559,675, which was driven mostly by increases in State Revenue Sharing.
- Total expenses increased by \$3,804,744 (3.5%) primarily due to the increase in, general government and education.

**Expenses and Program Revenues -Governmental Activities  
For the Year Ending June 30, 2022**



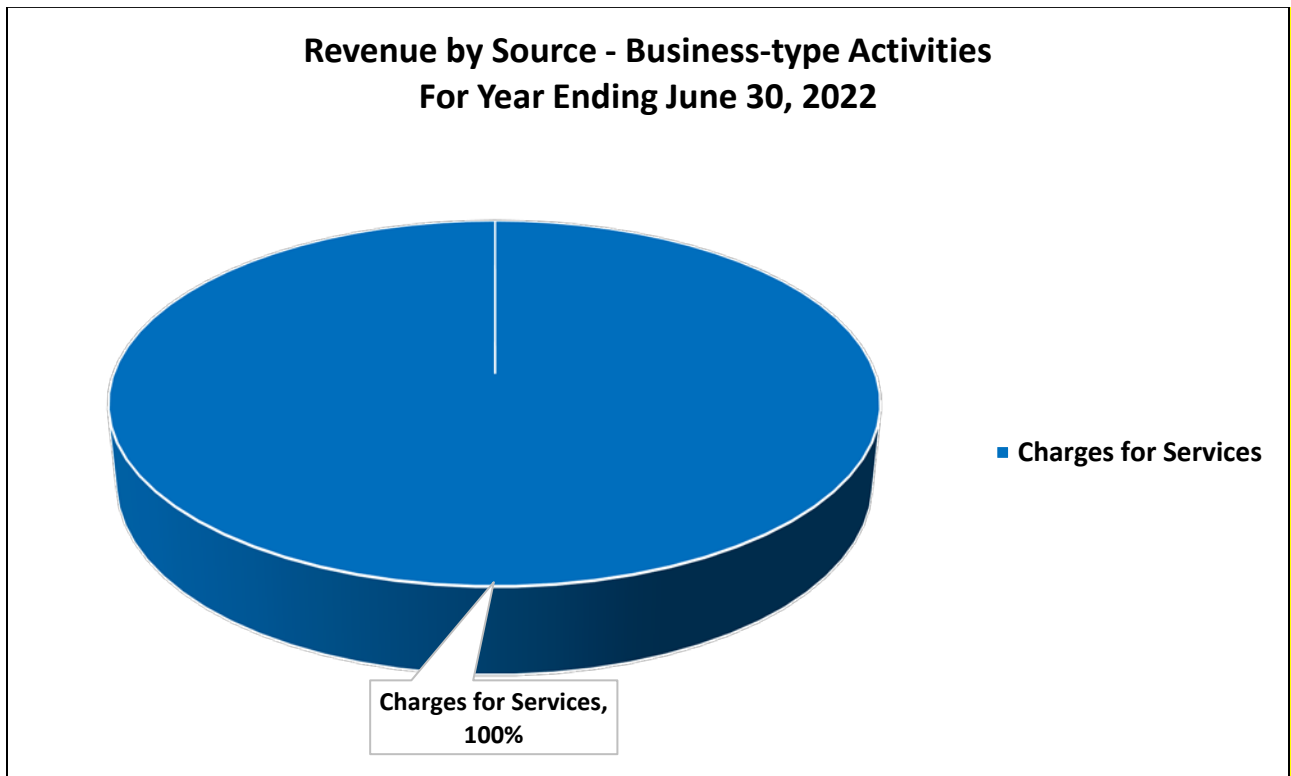
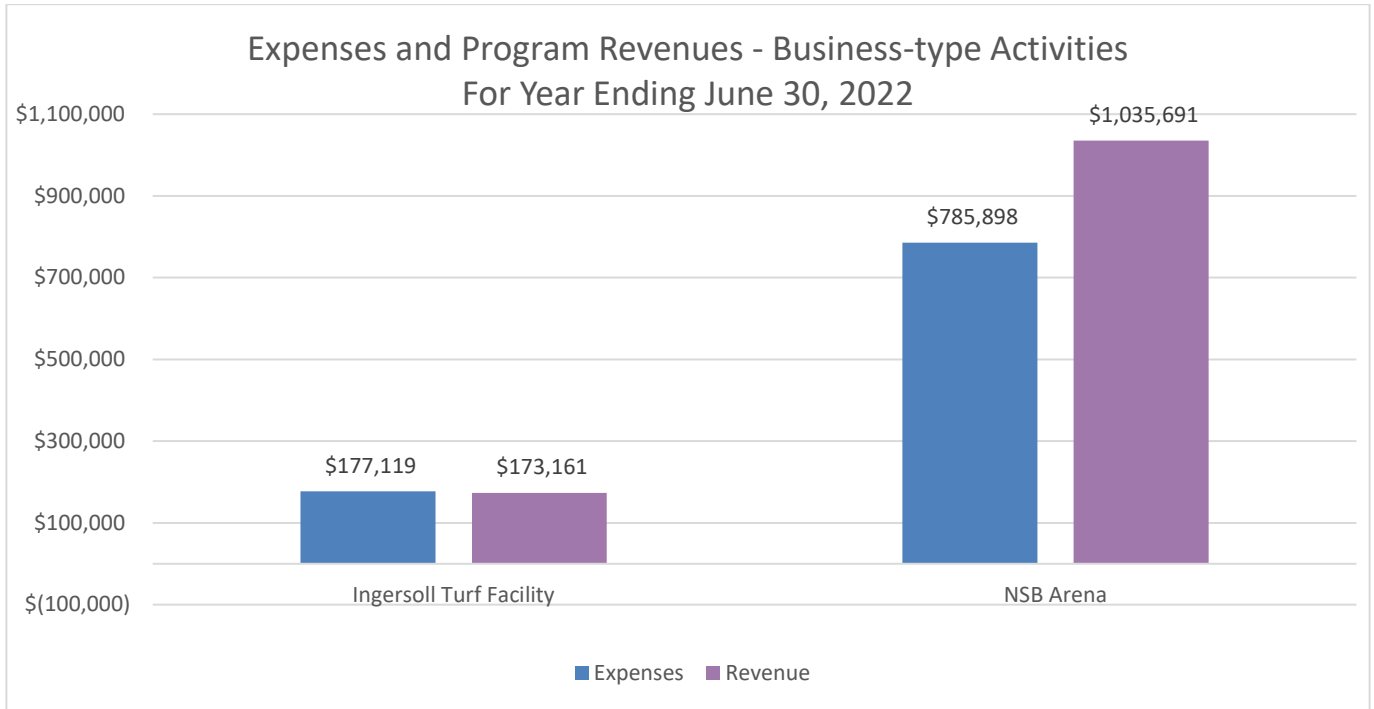
**Revenue by Source-Governmental Activities  
For the Year Ended June 30, 2022**



## Business-type Activities

The City's two business-type activities, its Ingersoll Turf Facility and Norway Savings Bank Arena, increased the City of Auburn's net position by \$246,469.

Revenues for business-type activities increased by \$321,485 or 36.20%. This is attributed to an increase in operations since the end of the pandemic. Expenses for business-type activities increased by \$59,301 or 6.5%, which is primarily due to general inflation on wages, benefits, and utilities.



## Financial Analysis of the Government's Funds

As noted earlier, the City of Auburn uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the City of Auburn's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Auburn's governmental funds reported combined ending fund balances of \$108,110,267 an increase of \$23,852,708, in comparison with the prior year. This total consists of: General Fund, \$23,324,464; Community Development Programs Fund, \$1,569,372; Tax Increment Financing \$236,094; Capital Improvement Programs, \$10,277,605; New Edward Little Building Project, \$69,085,466; and Other Governmental Funds, \$3,617,266. These fund balances (deficits) are intended, and in some cases restricted, committed or assigned, for specific purposes.

*The General Fund* is the chief operating fund of the City of Auburn. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,064,546. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund budget. Unassigned fund balance represents 13.60% of the total General Fund's final budgeted expenditures of \$96,097,239 (includes budgeted transfers out) at June 30, 2022. The City Council adopted a Fund Balance Policy in June 2011, and updated in June 2021, establishing a goal of having a General Fund unrestricted fund balance no less than 10.0% and no more than 14.0% of the City's municipal and school budgets. Unrestricted fund balance is defined as Assigned and Unassigned funds balance together. Rating agencies look favorably upon the establishment of fund balance policies by communities, which signifies the recognition that a healthy fund balance is imperative to the good financial standing of the community.

*The Community Development Program Fund* balance decreased by \$664,848. The decrease was due to the timing of drawdowns as well as the increase in expenditures for the CDBG program.

*The Tax Increment Financing Fund* deficit decreased by \$1,033,056 due to increased tax revenue captured within the TIF districts.

*The Capital Improvements Program* balance increased by \$1,729,508 which represents an increase of 20.23% of total fund balance from the prior year. Bond proceeds received in the current year will be offset by future capital and other expenditures.

*The New Edward Little Building Project* fund balance increased by \$13,853,606, due to the issuance of a long-term bond. The New High School is on track to be opening in the Fall of 2023.

### **Proprietary Funds**

The City of Auburn's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the City's proprietary funds, which include Ingersoll Turf Facility and Norway Savings Bank Ice Arena, amounted to a deficit of (\$808,987). The total increase in net position was \$246,469.

## General Fund Budgetary Highlights

For the current fiscal year, the total revenue was above budgetary projections and the total expenditures were below budgetary projections. During the current fiscal year, the budgetary fund balance of the City of Auburn's General Fund increased by \$4,923,697. Contributing factors to this increase included:

- Motor vehicle excise taxes were above budgetary projections by \$231,759.
- State revenue sharing was above projections by \$2,396,187.
- General government expenditures were under budget by \$1,238,377, due to savings in planning and permitting and employee benefits. There were vacant positions in the various departments during the fiscal year. Facilities had savings in utility costs and maintenance and repair costs. Employee benefits were below projections due to vacancies and a smaller increase in health insurance than was projected.
- Education expenditures were under budget by \$3,422,252 due to savings in regular instruction and special education as many budgeted positions were not able to be filled.
- Budgeted use of City and School surplus were used to offset the current year's expenditures and keep the mil rate down.

## Capital Asset and Debt Administration

### Capital Assets

The City of Auburn's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$181,219,485 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles and infrastructure. The total increase in the City of Auburn's investment in capital assets for the current fiscal year was 25.03%. For more detail, refer to Capital Assets in the Detailed Notes for All Funds on Pages 57-58.

City of Auburn's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 8,143,418	7,886,570	-	-	8,143,418	7,886,570
Construction in progress	54,093,740	14,453,861	-	-	54,093,740	14,453,861
Buildings and improvements	44,496,437	45,776,191	67,872	94,308	44,564,309	45,870,499
Equipment	3,236,285	3,161,392	143,647	190,463	3,379,932	3,351,855
Vehicles	5,273,122	5,504,711	-	-	5,273,122	5,504,711
Infrastructure	65,764,964	67,870,626	-	-	65,764,964	67,870,626
<b>Total capital assets</b>	<b>\$ 181,007,966</b>	<b>144,653,351</b>	<b>211,519</b>	<b>284,771</b>	<b>181,219,485</b>	<b>144,938,122</b>

Major capital asset events during the current fiscal year included the following:

- Construction of the new high school is ongoing and \$42,060,842 was spent in 2022.
- Public works replaced 1 sidewalk tractor, a backhoe and 2 plow trucks for \$763,131.
- The annual road reclamation and reconstruction projects totaled \$2,386,091.

## Long-term Debt

At the end of the current fiscal year, the City of Auburn had total general obligation bonded debt outstanding, not including premiums, of \$163,900,000. The City's entire debt is backed by the full faith and credit of the City. For more detail, refer to Long-term Debt in the Detailed Notes for All Funds on pages 45-47.

<b>City of Auburn's Outstanding Debt</b>			
<b>General Obligation Bonds</b>			
<b>Governmental</b>		<b>Business-type</b>	
<b>Activities</b>		<b>Activities</b>	
<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>\$ 163,900,000</b>	<b>112,130,000</b>	<b>-</b>	<b>-</b>

During the current fiscal year, the City of Auburn's total bonded debt increased by \$51,770,000. The City issued general obligation bonds totaling \$9,800,000 for the annual capital improvement program for the City and School Department and general obligation bonds of \$50,270,000 for the Edward Little High School Project.

The City of Auburn maintained an "Aa3" rating from Moody's on October 1, 2021 and received an "AA-" rating from Standard & Poor's for its general obligation debt. Please refer to the agencies' reports for a comprehensive explanation of their rating assessment.

State statutes limit the amount of general obligation debt a municipality may issue to 15 percent of its total state assessed valuation. The current debt limitation for the City of Auburn is \$342,300,000 that is significantly in excess of the City of Auburn's outstanding general obligation debt.

The City also has several other notes and financed purchase arrangements, the details of which can be found in the Long-term Debt in the Detailed Notes for All Funds on pages 45-47.

### **Next Year's Goals, the Economic Climate, and the Budget and Tax Rates**

The City's property tax base has stabilized, and the current outlook is that Auburn and the region are poised for strong growth. The City continues to hold firm that pursuing further economic growth to increase the property tax base is the best way to sustain the quality of life and reduce the property tax burden. Over the past five years, there has been a steady increase in the number of approved permits and values of new construction has increased. In 2022 there were 214 Residential building permits issued with a value of \$8,926,600 and 143 Commercial building permits issued with a value of \$49,995,607. This was a total of new building permits with a value of \$58,922,207, more than double compared to 2020.

Property values have increased in total assessed value for fiscal year 2021 and showed a larger increase in 2022. Local real estate sales continue to produce sales values that exceed assessments and construction is strong. The FY 2021 budget focused on maintaining the current level of services, infrastructure improvements, and economic development, and the need to increase the City's assessed value. The 2022 budget increased resources for Economic Development to support an increase in new development and expand on positive trends.

## **Embracing possibilities and creating opportunities: Fiscal Year 2023 Goals**

Within four days of the new mayor and city councilors being elected, a retreat was held to determine their vision and goals for the upcoming two-year term and the FY23 budget. The council framed their vision to be: ***“Auburn will embrace possibilities and create opportunities.”*** To make this vision a reality, they identified five goals for their term:

1. Planning for a better future
2. Reclaiming our streets
3. Making housing more attainable
4. Enriching neighborhood identities
5. Enacting resilient solutions

With the nation still reeling from the COVID-19 pandemic, it was vital for Auburn to determine how best to provide tangible taxpayer relief. Signed into law on March 11, 2021, the American Rescue Plan Act (ARPA) of 2021 provided the City of Auburn with \$13,545,799. Staff have been assisting the elected officials with the numerous regulations in spending the funds and have assisted to help ensure the long-term value of investments and financial stability of Auburn in using this one-time infusion of resources. Most of the allocations have been used on non-recurring expenditures.

The City’s pandemic response included a “shift” in the way we deliver services, and in staff alignments, staff recruitment, and staff retention. The workforce market dictated our need to focus on staff retention and delivery of services. The world looks different post-pandemic, and expectations have, once again, shifted pertaining to receiving services as well as delivery. Auburn’s FY23 budget has new and realigned positions to better serve the community, including a Downtown Coordinator, Asset Manager, Transportation Systems Director, and a Capital Infrastructure and Purchasing Director. These changes have created efficiencies and opportunities.

The FY23 budget includes several initiatives intended to help meet the goals outlined above, especially *“planning for a better future.”* Among these transformative initiatives that the city council believes will have a lasting impact: providing free recreational programs for students in kindergarten through sixth grade. Many barriers exist that can make it difficult to access services, and it is our goal to eliminate the barrier of registration costs.

### **The Budget and Tax Rates**

The City’s Fiscal Year 2022-2023 budget has an expenditure increase of 12.15% and a tax levy increase of 5.20%. These increases were primarily due to an increase in operating expenses for both the municipal and school budgets offset by an increase in non-property tax revenue for municipal and education in FY 2023. The use of fund balance had been used in previous years to help keep the tax rate increase lower. The City’s fund balance policy requires the City to maintain between a 10% and 14% unassigned fund balance in the general fund (10-14%% of general fund expenditures). At the end of fiscal year 2015, it was noted that the City fell below this percentage and the FY 2022 budget continued addressing this issue and is currently in compliance with the policy.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Auburn’s financial condition for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director or City Manager, 60 Court Street, Auburn, Maine.

# **BASIC FINANCIAL STATEMENTS**



**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Auburn, Maine was incorporated in 1869 under the laws of the State of Maine. The City operates under a Mayor-Council and City Manager form of government and provides the following services: general governmental services, public safety, public works (highways, streets, and sidewalks), health and social services, sanitation, culture and recreation, planning and permitting, education and public improvements. The Council is made up of seven members and one mayor elected by registered voters.

The accounting policies of the City of Auburn conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

**A. Reporting Entity**

In evaluating how to define the reporting entity, for financial statement purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, investment earnings, and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

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

The *Community Development Programs Special Revenue Fund* accounts for the federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the development of viable urban communities.

The *Tax Increment Financing Special Revenue Fund* accounts for the capturing of new tax revenue and expenditures the City is allowed to allocate to pay for public purpose economic development projects and job creation.

The *Capital Improvements Program Fund* accounts for the financial resources and expenditures related to the City's annual capital improvement program, which includes improvements to School Department buildings and other municipal facilities, general street rehabilitation and the purchase of major capital items.

The *New Edward Little Building Project Fund* accounts for the revenues and expenditures related to the construction of a new high school.

**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The government reports the following major enterprise funds:

The *Ingersoll Turf Facility Fund* accounts for the activities of the indoor turf facility. The Facility operates an indoor venue for residents, various youth organizations, senior organizations, and school teams. The Ingersoll Turf Facility opened in October 2015, and was created from the repurposing of the old Ingersoll Ice Arena.

The *Norway Savings Bank Ice Arena Fund* accounts for the activities of the arena. The arena operates a dual rink for residents, youth hockey organizations, and school teams.

Additionally, the City reports the following fund types:

*Private-purpose Trust Funds* are used to report the activity for bequests left for charitable payments of scholarship awards. These assets are held by the City in a trustee capacity, whereby the original bequest is preserved as nonexpendable and the accumulated interest earnings are available to provide for educational awards.

*Custodial funds* account for monies held for the RETC and AVEC programs which are local agencies to which the City provides accounting and investing services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental activities and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. City policy is that deposits can only be made in financial institutions insured by the FDIC. The City's investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The City invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid, and attain a reasonable market rate of return, while remaining within the guidelines as provided by the City's Investment Policy.

**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Investments are reported at fair value, including the position in the Maine Community Foundation investment pool. The Maine Community Foundation operates in accordance with state law and is subject to regulatory oversight, but is not registered with the SEC. Maine Community Foundation issues a publicly available financial report that can be obtained at [www.mainecef.org](http://www.mainecef.org).

**2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables/payables.”

Receivables are shown net of allowances for uncollectible amounts as necessary.

Under State law, tax liens are placed on real property if the taxes become delinquent. The lien process may commence after the expiration of eight months and within one year after the date of the tax commitment. The City has the authority to foreclose on real property if the tax lien and associated costs of filing the lien remain unpaid eighteen months after the date of filing.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and during the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred inflows of resources - unavailable revenues.

**3. Inventories and Prepaid Items**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories (consisting of food and supplies) include the value of government surplus items donated to the Centralized School Lunch Program. The costs of such inventories are recorded as expenditures/expenses when consumed rather than when purchased.

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

**4. Capital Assets**

Capital assets, which include property, plant, 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 \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are recorded at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All depreciable capital assets are depreciated using the straight-line method over the estimated useful lives as follows:

**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Vehicles	3 – 15 years
Equipment	5 – 15 years
Buildings and Building Improvements	10 – 40 years
Improvements other than Buildings	10 years
Infrastructure	10 – 60 years

**5. Deferred Inflows and Outflows of Resources**

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds only report a deferred inflow of resources, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension and OPEB liabilities, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the respective liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the respective plan. They also include the net difference between projected and actual earnings on plan investments, which is deferred and amortized over a five-year period. Deferred inflows of resources also include a deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**6. Compensated Absences**

Under terms of union contracts and personnel administration policies, employees are granted vacation and sick leave in varying amounts and are, in some cases, entitled to payment for unused vacation and sick leave upon termination or retirement. All vacation pay and vested sick leave is accrued as a liability in the government-wide financial statements. In the fund financial statements, no amount is recorded unless the amount is to be paid out shortly after year-end, but the full liability is recorded in the government-wide statements.

**7. 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, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method.

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 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.

**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**8. Fund Equity**

In the fund financial statements, governmental fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The Finance Director is authorized to classify the fund balances through the Fund Balance Policy adopted by the Auburn City Council on June 20, 2011. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority.
- *Assigned* – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The government’s highest level of decision-making authority, the City Council, has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Both actions, committing or un-committing fund balance, require the City Council to pass a resolution prior to year-end. Likewise, the Finance Director or City Council may assign unspent budgeted amounts to specific purposes in the General Fund at year-end based on department requests. Unlike commitments, assignments do not need formal action to be taken for the removal of an assignment.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the government’s intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the government’s intent to use committed or assigned resources first, and then unassigned resources as they are needed.

**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**9. Use of Estimates**

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**11. Other Postemployment Benefits (OPEB)**

For purposes of measuring the OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted for the General Fund only and are adopted on a basis consistent with generally accepted accounting principles (GAAP) except as noted on Statement 6. All unexpended annual appropriations, other than encumbrances, lapse at the close of the fiscal year.

Each year, all departments of the City submit requests for appropriations to the City's Manager so that a budget may be prepared. On or before April 30, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by department. The department managers may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control (level at which expenditures may not legally exceed appropriations without seeking approval of the City Council) is the total appropriation resolve level. Supplemental budgetary appropriations must be approved by the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, Continued**

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2022, expenditures exceeded appropriation in the following general fund categories: City Manager, \$53,092; Communications and Engagement, \$20,818; Economic Development, \$18,364; Fire & EMS, \$209,677; Police, \$167,544; Lewiston-Auburn Transit, \$12,429; and Debt service – interest and other, \$187,376. In total, the City's expenditures were \$5,321,802 less than appropriations.

**C. Deficit Fund Equity**

At June 30, 2022, the City had the following fund with a deficit fund balance/net position: Norway Savings Bank Arena (Proprietary), \$1,072,501. Future revenues and transfers from the General Fund are expected to fund this remaining deficit fund balance.

Additionally, within the City Special Revenue Fund, the following grants had deficit fund balances at June 30, 2022: Homeland Security, \$153,800; Law Enforcement Training, \$8,205; APD DOJ Covid-19, \$930; American Firefighters, \$1,695; Project Canopy, \$9,519; Leadercast, \$3,500; and NRPA Youth Mentoring Grant, \$1,443. These deficits are offset by fund balances in other grants and result in net fund balance in the City Special Revenue Fund as a whole at June 30, 2022 of \$1,106,800.

Within the School Special Revenue Fund, the following grants and programs had deficit fund balances at June 30, 2022: Migrant Education, \$1,566; Employee Computer Reimbursement, \$1,358; Maine College and Career Access, \$1,645 and Other funds, \$559. These deficits are offset by fund balances in other grants and result in a positive net fund balance in the School Special Revenue Fund as a whole at June 30, 2022 of \$894,003.

**D. Budget Basis of Accounting vs. GAAP Basis of Accounting**

The City's budget is reported on a modified accrual basis except that in the current year, certain workers compensation and unemployment payments were not budgeted, which were included in General Fund reserves.

Additionally, certain on-behalf payments made by the State of Maine to the Maine Public Employees Retirement System (Maine PERS) for teachers and certain other School employees are not budgeted. Such on-behalf payments amounted to \$4,314,291 in 2022. These amounts have been included as intergovernmental revenue and an education expense/expenditure on Statement 2 and in the General Fund on Statement 4 (GAAP basis). There is no effect on net position/fund balance at the end of the year.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**1. Deposits**

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it.



**CITY OF AUBURN, MAINE**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2022**

**III. DETAILED NOTES ON ALL FUNDS, Continued**

As of June 30, 2022, the City deposits amounted to \$126,797,584 with bank balances of \$127,624,658. The City does not have a deposit policy for custodial credit risk. As of June 30, 2022, none of the City's total bank balance was exposed to custodial credit risk as it was insured by the FDIC or secured by additional collateral.

Deposits have been reported as either cash and cash equivalents or as investments as follows in the financial statements:

Cash and cash equivalents:	
Governmental funds	\$ 16,679,605
Proprietary funds	507,726
Fiduciary funds	152,996
<u>Investments - Governmental funds</u>	<u>109,457,257</u>
<b><u>Total deposits reported</u></b>	<b><u>\$ 126,797,584</u></b>

**2. Investments**

At June 30, 2022, all the City's governmental investments were in money market accounts or certificates of deposits, both of which have been included above under the disclosure on deposits. At June 30, 2022, the City held the following investments within the fiduciary funds:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity mutual funds	\$ 479,814	479,814	-	-
Bond mutual funds	453,576	453,576	-	-
Money market funds	61,963	61,963	-	-
Maine Community Foundation investment pool	686,637			686,637
<b>Total</b>	<b>\$ 1,681,990</b>	<b>995,353</b>	<b>-</b>	<b>686,637</b>

The Maine Community Foundation investment pool adheres to the standards and practices described in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) passed by the Maine State Legislature in 2009. The Maine Community Foundation invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the State.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

*Interest rate risk:* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the investment's term to match anticipated cash requirements. The City has only one type of investment for which the investment term is determinable: bond mutual funds. The weighted average maturity of the City's investment in bond mutual funds at year end was 12.5 years.

























































































