

City of Auburn Hills

Financial Statements

December 31, 2022



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Auburn Hills
Auburn Hills, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn Hills (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022 the City of Auburn Hills adopted a new accounting standard, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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'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.

Auditors' 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 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, 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 the City'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'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 budgetary comparison information, Employee Pension Plan schedules, and Other Postemployment Benefit schedules, as identified 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's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 by us. In our opinion, based on our audit, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
June 9, 2023

City of Auburn Hills, Michigan

Management's Discussion and Analysis

December 31, 2022

As management of the City of Auburn Hills, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2022.

Financial Highlights

- 2021 property tax values saw a net increase of 3.18% from the year prior. 2021 property tax values drive the 2022 property tax revenues. General fund property tax revenues totaled \$21.4 million and reflected a moderate increase over 2021 property tax revenues of approximately \$334,000.
- GASB Statement No. 87, *Leases*, established a single model for lease accounting based on the principle that leases are financings of the right to use an asset. Leases and other lease-type agreements or contracts meeting the requirement of the standard with a right to use a nonfinancial asset such as buildings, land, vehicles, and equipment may now be reflected on the balance sheet. The lease will be an asset or a liability depending on if the City is the lessor or lessee. The guidance required an evaluation of several City agreements that involved the right to use land, building, and other physical assets. Leases receivable for governmental and business-type activities total \$6.9 million and component units \$192,845 as shown on the statement of net position for year ending 2022. The City found only one contract that was necessary to report as a right to use asset liability in the Fieldstone Golf Fund. Additional information about this new reporting requirement and the impact on the financial statements can be found in the notes of the financial statements on pages 3-29, 3-38, and 3-52.
- In the 3rd quarter of 2021, the City issued \$14.5 million in debt to fund approximately \$12.5 million in road and \$2 million in roof, HVAC, and other infrastructure projects through 2023. In 2022, an additional \$5.4 million in projects were funded utilizing this low interest rate debt allowing the City to maximize its general fund cash investments during this period of higher interest income. The City expects to spend the remaining bond proceeds totaling approximately \$6.4 million in 2023.
- The City received \$1.3 Million in additional American Rescue Plan money during 2022. Total funding held with the City as the end of 2022 was \$2.6 Million. The City will be using most of the funding to create additional parking space in the City's downtown district.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statement of net position presents financial information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

City of Auburn Hills, Michigan
Management's Discussion and Analysis
December 31, 2022

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions, that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal, as well as the City's golf course operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also eight discreetly presented component units. There are three separate Tax Increment Finance Authority (TIFA) Districts, the Brownfield Redevelopment Authority (BRA), the Economic Development Corporation (EDC), the Downtown Development Authority (DDA), the Pension Trust Fund, and the Retiree Health Care Trust Fund.

The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the City's funds can be divided into the following three categories:

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund and major special revenue funds to demonstrate compliance with this budget.
- **Proprietary funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewage disposal activities and the City's golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of the fleet (supporting the needs of the City's vehicle and equipment needs) and the retiree health care program (supporting the funding of retiree health care for those employees eligible for OPEB). Because both services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include both the pension and other postemployment benefit trust funds, and custodial funds.

Notes and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents the required supplemental information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplemental information on pensions and OPEB.

City of Auburn Hills, Michigan
Management's Discussion and Analysis
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Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$224,897,695 at the close of the most recent fiscal year. This is an increase of \$19.8 million from that of the prior year. The increase is due primarily to the addition of \$6.9 million in leases receivable and \$9.4 million more in cash and cash equivalents. Deferred outflows of resources increased \$4.4 million due to increased deferred outflows in retiree health care and pension costs. Deferred inflows of resources decreased \$3 million primarily due to deferred resources related to increased lease receivables of \$6.9 million, but a reduction in deferred inflows related to retiree health care and pension costs of \$10.8 million.

City's Net Position

| | Governmental Activities | | Business Type Activities | | Total | |
|---------------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current and other assets | \$ 92,664,882 | \$ 79,491,674 | \$ 44,633,973 | \$ 40,816,338 | \$ 137,298,855 | \$ 120,308,012 |
| Capital assets | <u>86,837,108</u> | <u>81,528,884</u> | <u>83,426,276</u> | <u>82,387,267</u> | <u>170,263,384</u> | <u>163,916,151</u> |
| Total assets | 179,501,990 | 161,020,558 | 128,060,249 | 123,203,605 | 307,562,239 | 284,224,163 |
| Deferred Outflows of Resources | 4,872,895 | 940,337 | 507,444 | 76,749 | 5,380,339 | 1,017,086 |
| Liabilities | | | | | | |
| Current liabilities | 7,470,637 | 5,143,849 | 2,916,198 | 2,476,020 | 10,386,835 | 7,619,869 |
| Noncurrent liabilities | <u>37,885,918</u> | <u>30,634,618</u> | <u>7,098,917</u> | <u>6,302,886</u> | <u>44,984,835</u> | <u>36,937,504</u> |
| Total liabilities | 45,356,555 | 35,778,467 | 10,015,115 | 8,778,906 | 55,371,670 | 44,557,373 |
| Deferred Inflows of Resources | <u>32,270,433</u> | <u>34,541,457</u> | <u>402,780</u> | <u>1,089,712</u> | <u>32,673,213</u> | <u>35,631,169</u> |
| Net Position | <u>\$ 106,747,897</u> | <u>\$ 91,640,971</u> | <u>\$ 118,149,798</u> | <u>\$ 113,411,736</u> | <u>\$ 224,897,695</u> | <u>\$ 205,052,707</u> |

City of Auburn Hills, Michigan
Management's Discussion and Analysis
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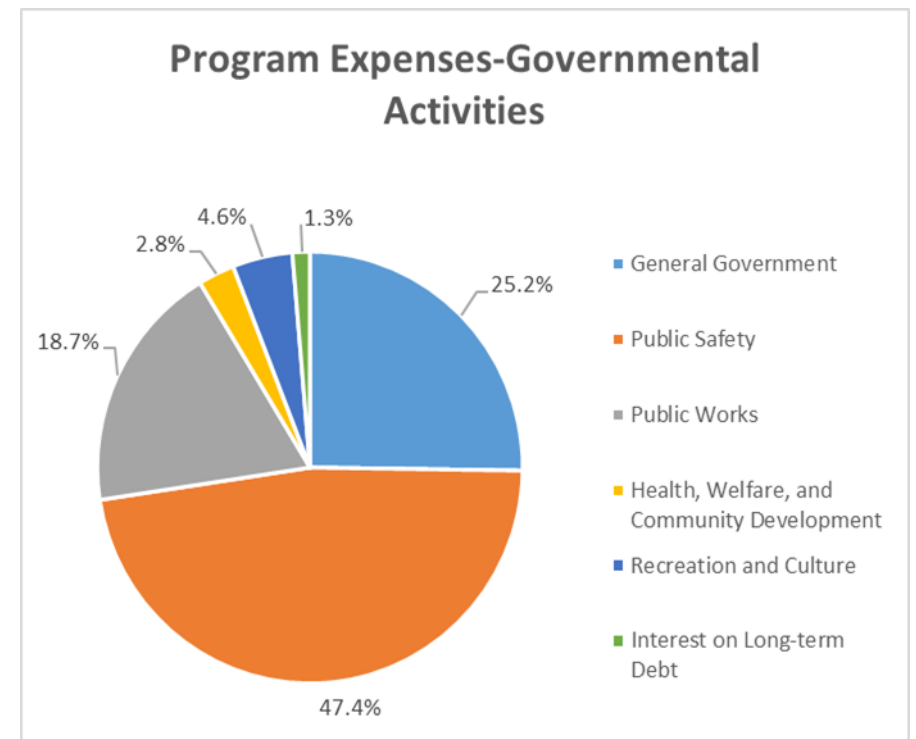
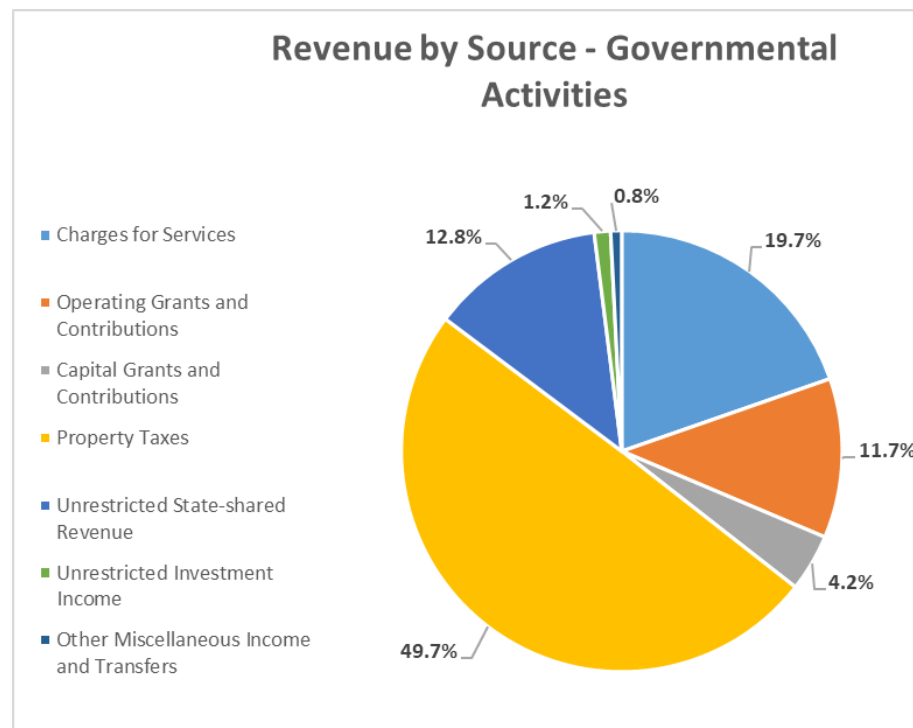
City's Changes in Net Position

| | Governmental Activities | | Business Type Activities | | Total | |
|------------------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 8,470,545 | \$ 7,636,533 | \$ 19,579,043 | \$ 18,170,913 | \$ 28,049,588 | \$ 25,807,446 |
| Operating grants | 5,034,970 | 4,218,989 | - | - | 5,034,970 | 4,218,989 |
| Capital grants | 1,806,868 | 96,416 | 2,940,299 | 1,284,734 | 4,747,167 | 1,381,150 |
| General revenue: | | | | | | |
| Taxes | 21,388,206 | 21,058,342 | - | - | 21,388,206 | 21,058,342 |
| Intergovernmental | 5,494,564 | 4,262,300 | - | - | 5,494,564 | 4,262,300 |
| Investment earnings | 515,696 | 16,183 | - | - | 515,696 | 16,183 |
| Other revenue | 299,279 | 104,856 | - | - | 299,279 | 104,856 |
| Total revenue | 43,010,128 | 37,393,619 | 22,519,342 | 19,455,647 | 65,529,470 | 56,849,266 |
| Expenses | | | | | | |
| General government | 7,031,687 | 9,723,501 | - | - | 7,031,687 | 9,723,501 |
| Public safety | 13,201,714 | 7,242,145 | - | - | 13,201,714 | 7,242,145 |
| Public works | 5,223,437 | 3,062,487 | - | - | 5,223,437 | 3,062,487 |
| Community and economic development | 768,963 | 601,778 | - | - | 768,963 | 601,778 |
| Recreation and culture | 1,272,743 | 128,159 | - | - | 1,272,743 | 128,159 |
| Debt service | 370,077 | 413,386 | - | - | 370,077 | 413,386 |
| Water and Sewer | - | - | 16,055,546 | 14,849,983 | 16,055,546 | 14,849,983 |
| Fieldstone Golf Club | - | - | 1,675,734 | 1,595,325 | 1,675,734 | 1,595,325 |
| Total expenses | 27,868,621 | 21,171,456 | 17,731,280 | 16,445,308 | 45,599,901 | 37,616,764 |
| Transfers | 50,000 | (38,900) | (50,000) | 38,900 | - | - |
| Change in Net Position | 15,191,507 | 16,183,263 | 4,738,062 | 3,049,239 | 19,929,569 | 19,232,502 |

City of Auburn Hills, Michigan
Management's Discussion and Analysis
December 31, 2022

Governmental Activities

The City experienced an increase in net position of approximately \$15.1 million in its governmental activities during 2022. Revenues increased \$5.6 million while expenditures increased \$6.7 million from that of the prior year. Revenues increased in all areas including grants and charges for services. The expenditure increase was primarily due to public safety, specifically police, and the increased allocated pension expense.



City of Auburn Hills, Michigan

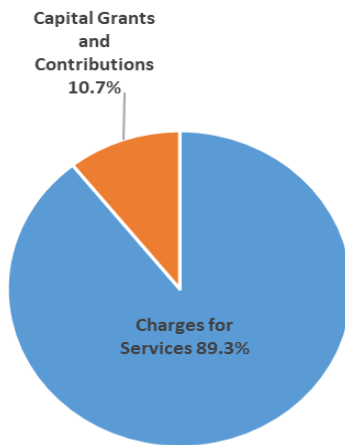
Management's Discussion and Analysis

December 31, 2022

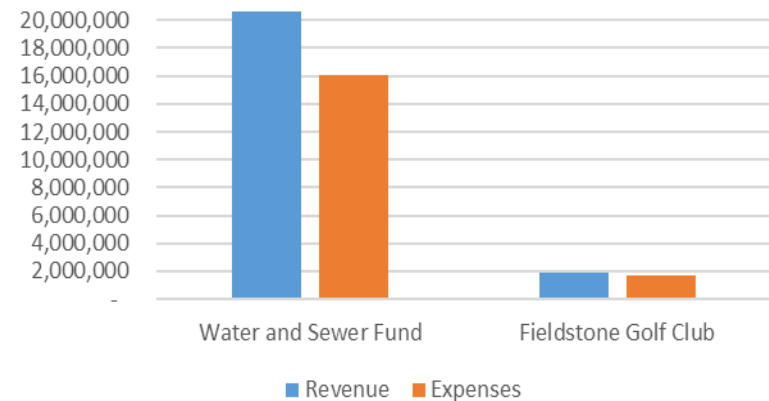
Business-Type Activities

The City had an increase in net position of approximately \$4.7 million compared to the prior year's change of an increase of \$3 million. This change is due to an increase over 2021 charges for services and developer contributions in the Water and Sewer fund of \$1.3 million and \$1.7 million respectively. The expenses for Water and Sewer increased by \$1.2 million and Fieldstone Golf Club's expenses increased moderately by \$80,000. The larger increase in Water and Sewer expenditure is reflected in personnel benefits. Those costs increased \$620,090 primarily due to retiree related costs.

Revenue by Source - Business-type Activities



Revenue and Expenses - Business-type Activities



Governmental Funds

On December 31, 2022, the City's governmental funds reported a combined fund balance of \$50.7 million, an increase of approximately \$2.5 million from the December 31, 2021, fund balance of \$48.2 million. This change is primarily a result of an increase to the General Fund balance of \$7.2 million but a reduction in the Capital Projects Fund balance of \$5.2 million.

City of Auburn Hills, Michigan
Management's Discussion and Analysis
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The unassigned portion of the fund balance represents 128.5% of total General Fund expenditures (excluding net transfers) for the 2022 fiscal year as compared to 85.1% for fiscal year ending 2021. In 2022, the City is assigning \$6.8 million of its fund balance for expected use for 2023 and beyond. This includes \$1.9 million for 2024 debt payments and \$1.3 million for 2024 road work. These assignments beyond the 2023 expected use of fund balance per the current 2023 budget plan provide additional assurance that sufficient funds are recognized as budget planning resumes for 2024.

Revenue increased \$3.7 million across governmental funds in 2022 over the prior year. City developments resulted in increased licenses and permits nearly \$1 million over that of the prior year and state shared revenue increased \$1.3 million.

Expenditures (not including transfers and other financing uses) in the governmental funds decreased by \$3.1 million. The change was primarily due to a \$2.9 million decrease in expenditure in the General Fund, particularly due to delayed projects due to both supply chain and staffing challenges.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements. The proprietary funds include the Water and Sewer fund and the Fieldstone Golf Club fund.

The net position in the Water and Sewer fund is \$104 million as of December 31, 2022, an increase of \$4.4 million from 2021. The unrestricted net position increased \$2.8 million from \$29.9 million in 2022 to \$32.7 million in 2022.

The City has been a member of the North Oakland County Water Authority (NOCWA), which provides joint management of four-member community water systems, since 2015. NOCWA began operations with the goal of optimizing operational efficiency and contain water service costs by which GLWA wholesale water rates are driven with the maximum day and peak hour values agreed upon in the contract. NOCWA members followed their operational plan and was able to demonstrate that it could achieve a more favorable reduced peak hour demand than the original contract value. The GLWA contract was amended, and water service cost increases were minimized to achieve greater fiscal value. The City's participation in NOCWA has allowed the City to contain its water service costs and has helped the fund continue to realize operational. These efficiencies enable the City to pass on lower increases in utility service fees despite increases in some years. For users connected to the City water system there was a 1% increase effective for sewer service and no increase in general water service as of 1/1/2022.

The Water and Sewer fund experienced an operational gain in 2022 of \$1.8 million. Non-operating revenues, including capital contributions, increased \$1.4 million from the prior year. This was primarily due to an increase in capital charges and developer contributions compared to 2021.

The water and sewer departments have remained diligent in controlling costs to maintain adequate reserves for both regular maintenance of infrastructure and any emergency, while minimizing annual rate increases to maintain sufficient reserves for capital repairs, reconstructions, and emergency situations. The Water and Sewer fund operating expenses in 2022 were \$15.8 million. This was an increase of \$1 million from the prior year, due primarily to an increase in pension and OPEB liability as of 12/31/2022. Water and sewer utility charges consider that the City needs to cover not only water and sewer treatment costs and unanticipated emergency repairs, but also operational departmental costs and improvements in infrastructure. Capital improvements performed by the Oakland County Water Resources Commissioner (OCWRC) with respect to the Clinton-Oakland Sanitary Disposal System (COSDS), the Evergreen-Farmington Sanitary Disposal System (EFSDS), the Oakland-Macomb Interceptor Drain (OMID), and the Clinton River Water Resources Recovery (CRWRR) sewage treatment facility, are allocated to the City. Therefore, increases in service costs assist in meeting the ongoing shared CIP infrastructure costs passed on by OCWRC.

The unrestricted net position of Fieldstone Golf Club at year-end is \$1.7 million. The Fieldstone Golf Club fund experienced an operating income of \$230,932.

City of Auburn Hills, Michigan
Management's Discussion and Analysis
December 31, 2022

General Fund Budgetary Highlights

The General Fund actual revenue exceeded budgeted revenues by \$2.1 million. This additional revenue is primarily related to increased state-shared revenue, license and permits. Details can be found on the budgetary comparison schedule on page 4-1.

The expenses of the General fund were under budget approximately \$8.2 million. The largest savings are in capital improvements, wages and benefits, and transfers to other funds. This is primarily due to public safety building projects being delayed until 2023, several positions remaining unfilled or vacated during the year, and funds not transferred to roads due to delayed projects.

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, is \$170.2 million (net of accumulated depreciation and related debt), an increase of approximately \$6.3 million from 2021. This increase is due to the City's attention to building, infrastructure, land improvements, and fleet upgrades/replacements.

Long-Term Debt- The City has total debt outstanding of \$25,082,963 (excluding compensated absences and leases) on December 31, 2022. The debt schedule includes an addition to Business-type Activity debt related to Lease as required by the new Governmental Accounting Standard Board 87. This lease is related to the City's golf cart agreement. Next year, the City will also see an additional debt related to the Evergreen-Farmington Sanitary Drain Drainage District of approximately \$587,000. Further, the City anticipates prepaying a drain assessment passed on by Oakland County's Water Resource Commission in 2023 for \$762,524. While the City will pay upfront for assessments passed on from different authorities when it is able, debt is incurred when analysis proves it is financially advantageous to do so. More information on the City's long-term debt can be found in Note 8 of the financial statement.

Economic Factors and Next Year's Budgets and Rates

The City of Auburn Hills is not immune to geopolitical conflict and global economic conditions. The Russia-Ukraine conflict, supply chain constraints, and COVID-19-related disruptions continue to generate political and economic headwinds globally. Oil, gas, raw materials, and other agricultural commodity prices have realized significant price fluctuations either due to sanctions or supply disruptions. These external forces have created far more uncertainty thus demanding caution with expectations that inflation will slow and the interest rate hikes will temper through the end of 2023. Fortunately, the City of Auburn Hills continues to remain positioned to adapt to fiscal disruptions and move forward with budget plans that remain in staff's control.

Road millage funding, especially considering record inflation, remains essential to the continued operational success of the City during 2022 and into 2023. Coupled with strategic financing, the City has been able to continue adherence to its capital plans. Some vehicles and large equipment of all types will undoubtedly be delayed again in 2023. Staff has been proactive, however, initiating purchase orders earlier to address the wait times caused by a lack of inventory across the United States. The City is not immune to staff shortages, either, but is making slow progress in filling positions with dedicated staff eager to learn and serve. Staff that have remained with the City have been essential in training newer staff quickly and they are a testament to the dedication of those that have served the City for several years. The City continues to be creative and open to trying new things to meet the needs of the next generation of employees. The expectation is that in 2024, economic variability should stabilize. Funding for delayed projects will stay in place, thus a shift of funds to another year may create a larger draw from cash resources than that from the prior year, but over the longer term the City will still meet its fiscal projections.

The City remains optimistic about its tax base. While a virtual or hybrid environment is part of normal operations for many, the City's commercial and industrial tax base remains intact. Based on projects currently underway or proposed to be underway, the City expects as much as \$600 million in private investment in the community by 2026.

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Management's Discussion and Analysis
December 31, 2022

Further, the City has seen remarkable success in the development of new residential opportunities as well. Annual tax revenue is anticipated to steadily increase. Currently, depending on the source, inflation for 2023 is expected to average 4.5% and then drop to an average of 2.3% in 2024. Averages were (4.7% in 2021, 8% in 2022). As inflation levels to more moderate rates of 2%, the city expects continued increases in tax revenues over the next 5 years held to the limits of the Headlee Amendment and Proposal A. Taxable values for 2022 and 2023 have increased 7.02% and 5.89% respectively. These larger increases in taxable value coupled with the City's continued growth, will drive increased revenues for 2023 and 2024.

There has been no change, other than reductions as required by the Headlee Amendment, in the City's general operating millage (since 2005), police millage (since 2003), fire millage (since 2016), road millage (since 2020). While revenue growth is expected from property taxes, personal property tax reimbursement declines and the eventual expiration of reimbursement beyond 2029 will temper overall state shared revenues limiting general revenue growth for the City.

Below is a chart populated with information from the City's current approved amended 2023 budget.

The current year's budget is amended as necessary throughout the year. The next year budget is approved each October and at that time, the 2024 - 2027 projections will be updated as well.

City of Auburn Hills General Fund

| Description | 2023 | |
|---|-------------------------|---|
| | 2022 ACTUALS | AMENDED BUDGET (as of 5/31/23) |
| PROPERTY TAXES | \$ 21,401,932 | \$ 22,917,264 |
| STATE SHARED REVENUE & REFUNDS | 5,530,512 | 4,211,216 |
| LICENSES AND PERMITS | 1,871,951 | 994,350 |
| GRANTS | 840,338 | 618,372 |
| CHARGES FOR SERVICES | 2,924,483 | 2,448,940 |
| OTHER REVENUE | 1,423,301 | 1,292,213 |
| INTERFUND CHARGES | 3,127,070.00 | 2,800,721.00 |
| TRANSFERS FROM FUNDS | 339,600 | 70,000 |
| TOTAL REVENUE SOURCES | \$ 37,459,187 | \$ 35,353,076 |
| ANNUAL EXPENDITURES (EXCLUDING TRANSFERS OUT) | \$ 25,368,375 | \$ 29,607,292 |
| TRANSFER TO MAJOR STREETS | | 180,000 |
| TRANSFER TO LOCAL STREETS | 1,225,000 | 640,000 |
| TRANSFER TO CI DEBT SERVICE | 1,863,400 | 1,861,325 |
| TRANSFER TO RHC AND PENSION | 1,788,291 | 250,000 |
| | 30,245,066 | 32,538,617 |
| Net Revenue Under Expenditures | \$ 7,214,121 | \$ 2,814,459 |

Requests for Further Information

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Treasurer/Finance Department at 1827 N. Squirrel Road, Auburn Hills, Michigan 48326. This report, City budgets, and other financial information are available on the City's website at www.auburnhills.org.

City of Auburn Hills
Statement of Net Position
December 31, 2022

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 65,724,349 | \$ 36,050,956 | \$ 101,775,305 | \$ 22,233,830 |
| Receivables | | | | |
| Taxes | 16,256,676 | - | 16,256,676 | 2,495,620 |
| Customers | 1,026,661 | 3,446,007 | 4,472,668 | 13,542 |
| Special assessments | 1,676,979 | - | 1,676,979 | - |
| Accrued interest and other | 82,317 | - | 82,317 | - |
| Leases receivable | 6,799,511 | 107,964 | 6,907,475 | 191,845 |
| Due from other units of government | 2,989,518 | - | 2,989,518 | 510 |
| Internal balances | (2,252,147) | 2,252,147 | - | - |
| Inventories | - | 237,800 | 237,800 | - |
| Prepaid items | 199,948 | 45,000 | 244,948 | 5,551 |
| Restricted assets | 34,898 | 2,494,099 | 2,528,997 | - |
| Land held for resale | 126,172 | - | 126,172 | - |
| Right to use assets, net of amortization | - | 31,773 | 31,773 | - |
| Capital assets not being depreciated | 12,615,905 | 14,481,171 | 27,097,076 | 8,322,970 |
| Capital assets, net of accumulated depreciation | 74,221,203 | 68,913,332 | 143,134,535 | 43,567,362 |
| Total assets | <u>179,501,990</u> | <u>128,060,249</u> | <u>307,562,239</u> | <u>76,831,230</u> |
| Deferred Outflows of Resources | | | | |
| Deferred amount relating to net pension liability | 2,854,664 | 338,565 | 3,193,229 | - |
| Deferred amount relating to net OPEB liability | 2,018,231 | 168,879 | 2,187,110 | - |
| Total deferred outflows of resources | <u>4,872,895</u> | <u>507,444</u> | <u>5,380,339</u> | <u>-</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Statement of Net Position
December 31, 2022

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Liabilities | | | | |
| Accounts payable | \$ 1,472,583 | \$ 1,887,435 | \$ 3,360,018 | \$ 644,822 |
| Accrued and other liabilities | 1,009,235 | 65,258 | 1,074,493 | 11,717 |
| Due to other units of government | 20,551 | 57,407 | 77,958 | 87 |
| Provision for property tax refunds | 97,296 | - | 97,296 | 20,000 |
| Refundable deposits and bonds | 2,270,236 | 886,287 | 3,156,523 | - |
| Unearned revenue | 2,600,736 | 19,811 | 2,620,547 | - |
| Noncurrent liabilities | | | | |
| Debt due within one year | 1,991,431 | 488,036 | 2,479,467 | 48,659 |
| Debt due in more than one year | 19,567,717 | 4,840,048 | 24,407,765 | 361,676 |
| Net pension liability | 11,587,187 | 1,374,241 | 12,961,428 | - |
| Net OPEB liability | 4,739,583 | 396,592 | 5,136,175 | - |
| Total liabilities | <u>45,356,555</u> | <u>10,015,115</u> | <u>55,371,670</u> | <u>1,086,961</u> |
| Deferred Inflows of Resources | | | | |
| Property taxes levied for the next fiscal year | 22,003,407 | - | 22,003,407 | 2,495,620 |
| Deferred amount relating to leases receivable | 6,744,163 | 107,964 | 6,852,127 | 191,845 |
| Deferred amount relating to net OPEB liability | <u>3,522,863</u> | <u>294,816</u> | <u>3,817,679</u> | <u>-</u> |
| Total deferred inflows of resources | <u>32,270,433</u> | <u>402,780</u> | <u>32,673,213</u> | <u>2,687,465</u> |
| Net Position | | | | |
| Net investment in capital assets | 73,359,020 | 80,722,712 | 154,081,732 | 51,890,332 |
| Restricted for | | | | |
| Donations | 34,898 | - | 34,898 | - |
| Debt service | 410,585 | - | 410,585 | - |
| Streets | 2,418,267 | - | 2,418,267 | - |
| NOCWA | - | 776,610 | 776,610 | - |
| Unrestricted | <u>30,525,127</u> | <u>36,650,476</u> | <u>67,175,603</u> | <u>21,166,472</u> |
| Total net position | <u>\$ 106,747,897</u> | <u>\$ 118,149,798</u> | <u>\$ 224,897,695</u> | <u>\$ 73,056,804</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Statement of Activities
For the Year Ended December 31, 2022

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|-------------------------|--|--|--|-----------------------------|----------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary Government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 7,031,687 | \$ 3,436,841 | \$ - | \$ - | \$ (3,594,846) | \$ - | \$ (3,594,846) | \$ - |
| Public safety | 13,201,714 | 4,253,267 | 1,014,624 | - | (7,933,823) | - | (7,933,823) | - |
| Public works | 5,223,437 | 523,870 | 3,144,109 | 1,806,868 | 251,410 | - | 251,410 | - |
| Health, welfare and community development | 768,963 | 76,242 | 593,968 | - | (98,753) | - | (98,753) | - |
| Recreation and culture | 1,272,743 | 180,325 | 282,269 | - | (810,149) | - | (810,149) | - |
| Interest and fiscal charges on long-term debt | 370,077 | - | - | - | (370,077) | - | (370,077) | - |
| Total governmental activities | 27,868,621 | 8,470,545 | 5,034,970 | 1,806,868 | (12,556,238) | - | (12,556,238) | - |
| Business-type activities | | | | | | | | |
| Water & Sewer | 16,055,546 | 17,662,311 | - | 2,940,299 | - | 4,547,064 | 4,547,064 | - |
| Fieldstone Golf Club | 1,675,734 | 1,916,732 | - | - | - | 240,998 | 240,998 | - |
| Total business-type activities | 17,731,280 | 19,579,043 | - | 2,940,299 | - | 4,788,062 | 4,788,062 | - |
| Total primary government | \$ 45,599,901 | \$ 28,049,588 | \$ 5,034,970 | \$ 4,747,167 | (12,556,238) | 4,788,062 | (7,768,176) | - |
| Component Units | | | | | | | | |
| TIFA A | \$ 2,133,468 | \$ 51,852 | \$ - | \$ 15,000 | - | - | - | (2,066,616) |
| TIFA B | 1,665,740 | - | - | - | - | - | - | (1,665,740) |
| TIFA D | 1,200,284 | 191 | - | - | - | - | - | (1,200,093) |
| Brownfield Redevelopment Authority | 1,700,603 | - | - | 41,341 | - | - | - | (1,659,262) |
| Downtown Development Authority | 208,281 | - | - | 15,780 | - | - | - | (192,501) |
| Total component units | \$ 6,908,376 | \$ 52,043 | \$ - | \$ 72,121 | - | - | - | (6,784,212) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 21,388,206 | - | 21,388,206 | 3,117,792 |
| Unrestricted state-shared revenue | | | | | 5,494,564 | - | 5,494,564 | 1,330,370 |
| Unrestricted investment earnings | | | | | 515,696 | - | 515,696 | 22,243 |
| Gain on sale of capital assets | | | | | 9,248 | - | 9,248 | - |
| Miscellaneous | | | | | 290,031 | - | 290,031 | 41,129 |
| Transfers | | | | | 50,000 | (50,000) | - | - |
| Total general revenues and transfers | | | | | 27,747,745 | (50,000) | 27,697,745 | 4,511,534 |
| Change in net position | | | | | 15,191,507 | 4,738,062 | 19,929,569 | (2,272,678) |
| Net position - beginning of year | | | | | 91,640,971 | 113,411,736 | 205,052,707 | 75,329,482 |
| Prior period adjustment | | | | | (84,581) | - | (84,581) | - |
| Net position - beginning of year, as restated | | | | | 91,556,390 | 113,411,736 | 204,968,126 | 75,329,482 |
| Net position - end of year | | | | | \$ 106,747,897 | \$ 118,149,798 | \$ 224,897,695 | \$ 73,056,804 |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Governmental Funds
Balance Sheet
December 31, 2022

| | General Fund | Special Revenue Fund Major and Local Streets | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------|----------------------|---|--------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and investments | \$ 47,072,893 | \$ 3,177,294 | \$ 6,830,569 | \$ 2,767,593 | \$ 59,848,349 |
| Receivables | | | | | |
| Taxes | 16,256,676 | - | - | - | 16,256,676 |
| Customers | 1,026,661 | - | - | - | 1,026,661 |
| Special assessments | 1,219,187 | - | - | 457,792 | 1,676,979 |
| Accrued interest and other | 45,187 | 37,130 | - | - | 82,317 |
| Lease receivable | 6,799,511 | - | - | - | 6,799,511 |
| Due from other units of government | 2,271,944 | 524,741 | - | 192,833 | 2,989,518 |
| Due from other funds | 882 | - | - | - | 882 |
| Prepaid items | 160,510 | - | - | - | 160,510 |
| Land held for resale | 126,172 | - | - | - | 126,172 |
| Total assets | <u>\$ 74,979,623</u> | <u>\$ 3,739,165</u> | <u>\$ 6,830,569</u> | <u>\$ 3,418,218</u> | <u>\$ 88,967,575</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 816,740 | \$ 189,428 | \$ 364,776 | \$ 64,842 | \$ 1,435,786 |
| Accrued and other liabilities | 923,026 | 34,354 | - | - | 957,380 |
| Due to other funds | - | - | 622 | 882 | 1,504 |
| Due to other units of government | 2,843 | 1,025 | 16,683 | - | 20,551 |
| Provision for property tax refunds | 97,296 | - | - | - | 97,296 |
| Refundable deposits and bonds | 929,825 | 1,096,091 | - | 244,320 | 2,270,236 |
| Unearned revenue | 2,600,736 | - | - | - | 2,600,736 |
| Total liabilities | <u>5,370,466</u> | <u>1,320,898</u> | <u>382,081</u> | <u>310,044</u> | <u>7,383,489</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Governmental Funds
Balance Sheet
December 31, 2022

| | General Fund | Special Revenue Fund Major and Local Streets | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---|--------------------------|-----------------------------------|--------------------------------|
| Deferred Inflows of Resources | | | | | |
| Property taxes levied for the next fiscal year | \$ 22,003,407 | \$ - | \$ - | \$ - | \$ 22,003,407 |
| Leases | 6,744,163 | - | - | - | 6,744,163 |
| Grants and other revenue | 304,001 | 366 | - | 134,698 | 439,065 |
| Special assessments | 1,233,664 | - | - | 434,371 | 1,668,035 |
| Total deferred inflows of resources | 30,285,235 | 366 | - | 569,069 | 30,854,670 |
| Fund Balances | | | | | |
| Non-spendable | | | | | |
| Prepaid items | 160,510 | - | - | - | 160,510 |
| Land held for resale | 126,172 | - | - | - | 126,172 |
| Restricted for | | | | | |
| Streets | - | 2,417,901 | - | - | 2,417,901 |
| Public works | - | - | - | 944,501 | 944,501 |
| Public safety | - | - | - | 31,029 | 31,029 |
| Health and welfare | - | - | - | 40,635 | 40,635 |
| Community and economic development | - | - | - | 7,693 | 7,693 |
| Debt service | - | - | - | 453,684 | 453,684 |
| Capital projects | - | - | 6,448,488 | - | 6,448,488 |
| Committed | | | | | |
| Storm management | 66,754 | - | - | - | 66,754 |
| Wayne disposal | - | - | - | 1,061,563 | 1,061,563 |
| Assigned | | | | | |
| Subsequent year's budget | 2,747,705 | - | - | - | 2,747,705 |
| OPEB contribution | 854,395 | - | - | - | 854,395 |
| Roads contribution | 1,350,000 | - | - | - | 1,350,000 |
| Debt service | 1,858,525 | - | - | - | 1,858,525 |
| Unassigned | 32,159,861 | - | - | - | 32,159,861 |
| Total fund balances | 39,323,922 | 2,417,901 | 6,448,488 | 2,539,105 | 50,729,416 |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 74,979,623</u> | <u>\$ 3,739,165</u> | <u>\$ 6,830,569</u> | <u>\$ 3,418,218</u> | <u>\$ 88,967,575</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2022

| | |
|---|------------------------------|
| Total fund balances for governmental funds | \$ 50,729,416 |
| Total net position for governmental activities in the statement of net position is different because: | |
| Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds. | 70,258,204 |
| Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds. | 12,615,905 |
| Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds. | 2,107,100 |
| Restricted assets held by outside entities are not financial resources and are not reported in the funds. | 34,898 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (43,099) |
| Compensated absences | (1,620,152) |
| Deferred outflows (inflows) of resources. | |
| Deferred inflows of resources resulting from net OPEB liability | (3,482,641) |
| Deferred outflows of resources resulting from net pension liability | 2,854,664 |
| Deferred outflows of resources resulting from net OPEB liability | 1,995,193 |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. | (19,917,359) |
| Net pension liability | (11,587,187) |
| Net OPEB liability | (4,685,485) |
| Internal service funds are included as part of governmental activities. | <u>7,488,440</u> |
| Net position of governmental activities | <u><u>\$ 106,747,897</u></u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

| | General Fund | Special Revenue Funds Major and Local Streets | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------|-----------------|--|--------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Taxes | \$ 21,402,736 | \$ - | \$ - | \$ - | \$ 21,402,736 |
| Special assessments | 323,253 | - | - | 254,603 | 577,856 |
| Licenses and permits | 2,408,963 | - | - | - | 2,408,963 |
| Federal grants | 307,330 | - | - | 70,791 | 378,121 |
| State-shared revenue | 5,770,577 | - | - | 93,768 | 5,864,345 |
| Other state grants | 92,943 | 2,982,194 | - | - | 3,075,137 |
| Local contributions | 635,770 | - | - | - | 635,770 |
| Charges for services | 5,302,931 | - | - | 528,325 | 5,831,256 |
| Fines and forfeitures | 213,933 | - | - | 9,301 | 223,234 |
| Investment income (loss) | (32,093) | 19,919 | 182,535 | 23,744 | 194,105 |
| Rental income | 328,926 | - | - | - | 328,926 |
| Other revenue | 653,643 | 73,289 | - | 40,635 | 767,567 |
| Total revenues | 37,408,912 | 3,075,402 | 182,535 | 1,021,167 | 41,688,016 |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

| | General Fund | Special Revenue Funds Major and Local Streets | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|--|--------------------------|-----------------------------------|--------------------------------|
| Expenditures | | | | | |
| Current | | | | | |
| General government | \$ 7,660,240 | \$ - | \$ - | \$ - | \$ 7,660,240 |
| Public safety | 16,142,553 | - | - | 32,615 | 16,175,168 |
| Streets | - | 4,178,759 | - | - | 4,178,759 |
| Public works | 797,651 | - | - | 244,817 | 1,042,468 |
| Health, welfare, and community development | 854,931 | - | - | 83,031 | 937,962 |
| Recreation and culture | 1,633,162 | - | - | - | 1,633,162 |
| Capital outlay | - | - | 5,348,544 | - | 5,348,544 |
| Debt service | | | | | |
| Principal retirement | 55,000 | - | - | 1,555,000 | 1,610,000 |
| Interest and fiscal charges | 13,129 | - | - | 502,774 | 515,903 |
| Total expenditures | <u>27,156,666</u> | <u>4,178,759</u> | <u>5,348,544</u> | <u>2,418,237</u> | <u>39,102,206</u> |
| Excess (deficiency) of revenues over expenditures | <u>10,252,246</u> | <u>(1,103,357)</u> | <u>(5,166,009)</u> | <u>(1,397,070)</u> | <u>2,585,810</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 50,000 | 1,325,000 | - | 1,863,400 | 3,238,400 |
| Transfers out | (3,088,400) | - | - | (100,000) | (3,188,400) |
| Insurance recoveries | 244 | 5,097 | - | - | 5,341 |
| Sale of capital assets | 31 | - | - | - | 31 |
| Total other financing sources and uses | <u>(3,038,125)</u> | <u>1,330,097</u> | <u>-</u> | <u>1,763,400</u> | <u>55,372</u> |
| Net change in fund balances | <u>7,214,121</u> | <u>226,740</u> | <u>(5,166,009)</u> | <u>366,330</u> | <u>2,641,182</u> |
| Fund balances - beginning of year | 32,194,382 | 2,191,161 | 11,614,497 | 2,172,775 | 48,172,815 |
| Prior period adjustment | <u>(84,581)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(84,581)</u> |
| Fund balances - beginning of year, as restated | <u>32,109,801</u> | <u>2,191,161</u> | <u>11,614,497</u> | <u>2,172,775</u> | <u>48,088,234</u> |
| Fund balances - end of year | <u>\$ 39,323,922</u> | <u>\$ 2,417,901</u> | <u>\$ 6,448,488</u> | <u>\$ 2,539,105</u> | <u>\$ 50,729,416</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

| | |
|---|-----------------------------|
| Net change in fund balances - total governmental funds | \$ 2,641,182 |
| Total change in net position reported for governmental activities in the statement of activities is different because: | |
| 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. | |
| Depreciation expense | (3,955,863) |
| Capital outlay | 7,698,434 |
| Donations of capital assets | 1,358,129 |
| Sale of capital assets (net book value) | 9,217 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Special assessments | (196,215) |
| Grants | 200,652 |
| Restricted assets | 6,326 |
| Expenses are recorded when incurred in the statement of activities. | |
| Accrued interest | 3,242 |
| Compensated absences | (28,440) |
| The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions. | |
| Net change in net pension liability | (6,651,900) |
| Net change in the deferred inflow of resources related to the net pension liability | 5,623,360 |
| Net change in the deferred outflow of resources related to the net pension liability | 2,854,664 |
| The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded in the governmental funds equals actual OPEB contributions. | |
| Net change in net OPEB liability | (2,311,530) |
| Net change in the deferred inflow of resources related to the net OPEB liability | 4,326,248 |
| Net change in the deferred outflow of resources related to the net OPEB liability | 1,065,481 |
| Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | |
| Repayments of long-term debt | 1,610,000 |
| Amortization of premiums, discounts and similar items | 142,584 |
| Internal service funds are also included as governmental activities | <u>795,936</u> |
| Change in net position of governmental activities | <u>\$ 15,191,507</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Proprietary Funds
Statement of Net Position
December 31, 2022

| | Enterprise Funds | | | |
|---|--------------------------|---|--------------------|--------------------------|
| | Water & Sewer Fund | Nonmajor Fieldstone Golf Club Fund | Total | Internal Service Fund |
| Assets | | | | |
| Current assets | | | | |
| Cash and investments | \$ 34,353,332 | \$ 1,697,624 | \$ 36,050,956 | \$ 5,876,000 |
| Receivables - customers | 3,446,007 | - | 3,446,007 | - |
| Receivables - leases | - | 107,964 | 107,964 | - |
| Due from other funds | - | 622 | 622 | - |
| Inventories | 200,179 | 37,621 | 237,800 | - |
| Prepaid items | - | 45,000 | 45,000 | 39,438 |
| Total current assets | <u>37,999,518</u> | <u>1,888,831</u> | <u>39,888,349</u> | <u>5,915,438</u> |
| Noncurrent assets | | | | |
| Restricted assets | 2,494,099 | - | 2,494,099 | - |
| Right of use assets, net of amortization | - | 31,773 | 31,773 | - |
| Capital assets not being depreciated | 6,158,728 | 8,322,443 | 14,481,171 | - |
| Capital assets, net of accumulated depreciation | <u>66,835,766</u> | <u>2,077,566</u> | <u>68,913,332</u> | <u>3,962,999</u> |
| Total noncurrent assets | <u>75,488,593</u> | <u>10,431,782</u> | <u>85,920,375</u> | <u>3,962,999</u> |
| Total assets | <u>113,488,111</u> | <u>12,320,613</u> | <u>125,808,724</u> | <u>9,878,437</u> |
| Deferred Outflows of Resources | | | | |
| Deferred amount relating to net pension liability | 338,565 | - | 338,565 | - |
| Deferred amount relating to net OPEB liability | <u>153,547</u> | <u>15,332</u> | <u>168,879</u> | <u>23,038</u> |
| Total deferred outflows of resources | <u>492,112</u> | <u>15,332</u> | <u>507,444</u> | <u>23,038</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Proprietary Funds
Statement of Net Position
December 31, 2022

| | Enterprise Funds | | | |
|--|--------------------------|---|--------------|--------------------------|
| | Water & Sewer Fund | Nonmajor Fieldstone Golf Club Fund | Total | Internal Service Fund |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 1,876,634 | \$ 10,801 | \$ 1,887,435 | \$ 36,797 |
| Accrued and other liabilities | 48,449 | 16,809 | 65,258 | 8,756 |
| Due to other units of government | 56,815 | 592 | 57,407 | - |
| Refundable deposits and bonds | 886,287 | - | 886,287 | - |
| Unearned revenue | - | 19,811 | 19,811 | - |
| Current portion of noncurrent liabilities | 455,977 | 32,059 | 488,036 | 1,121 |
| Total current liabilities | 3,324,162 | 80,072 | 3,404,234 | 46,674 |
| Noncurrent liabilities | | | | |
| Net pension liability | 1,374,241 | - | 1,374,241 | - |
| Net OPEB liability | 360,587 | 36,005 | 396,592 | 54,098 |
| Long-term debt net of current portion | 4,840,048 | - | 4,840,048 | 20,516 |
| Total noncurrent liabilities | 6,574,876 | 36,005 | 6,610,881 | 74,614 |
| Total liabilities | 9,899,038 | 116,077 | 10,015,115 | 121,288 |
| Deferred Inflows of Resources | | | | |
| Deferred amount relating to leases receivable | - | 107,964 | 107,964 | - |
| Deferred amount relating to net OPEB liability | 268,051 | 26,765 | 294,816 | 40,222 |
| Total deferred inflows of resources | 268,051 | 134,729 | 402,780 | 40,222 |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Proprietary Funds
Statement of Net Position
December 31, 2022

| | Enterprise Funds | | | Internal Service Fund |
|--|--------------------------|---|-----------------------|--------------------------|
| | Water & Sewer Fund | Nonmajor Fieldstone Golf Club Fund | Total | |
| Net Position | | | | |
| Net investment in capital assets | \$ 70,322,989 | \$ 10,399,723 | \$ 80,722,712 | \$ 3,962,999 |
| Restricted for NOCWA | 776,610 | - | 776,610 | - |
| Unrestricted | <u>32,713,535</u> | <u>1,685,416</u> | <u>34,398,951</u> | <u>5,776,966</u> |
| Total net position | <u>\$ 103,813,134</u> | <u>\$ 12,085,139</u> | 115,898,273 | <u>\$ 9,739,965</u> |
| Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities | | | <u>2,251,525</u> | |
| Net position of business-type activities | | | <u>\$ 118,149,798</u> | |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2022

| | Enterprise Funds | | | |
|---------------------------|--------------------------|---|-------------------|--------------------------|
| | Water & Sewer Fund | Nonmajor Fieldstone Golf Club Fund | Total | Internal Service Fund |
| Operating revenue | | | | |
| Customer fees | \$ 17,116,784 | \$ 1,336,787 | \$ 18,453,571 | \$ - |
| Billings to other funds | - | - | - | 2,996,202 |
| Rental income | - | 410,483 | 410,483 | - |
| Other revenue | 545,527 | 169,462 | 714,989 | 86,828 |
| | <u>17,662,311</u> | <u>1,916,732</u> | <u>19,579,043</u> | <u>3,083,030</u> |
| Operating expenses | | | | |
| Personnel services | 1,087,907 | 330,786 | 1,418,693 | 247,890 |
| Supplies | 262,113 | 116,298 | 378,411 | 644,510 |
| Contractual services | 161,585 | 655,612 | 817,197 | 3,077 |
| Utilities | 9,205,193 | 73,539 | 9,278,732 | - |
| Repairs and maintenance | 59,841 | 38,094 | 97,935 | 150,059 |
| Other expenses | 2,723,364 | 122,798 | 2,846,162 | 271,370 |
| Depreciation | 2,331,274 | 348,673 | 2,679,947 | 906,520 |
| | <u>15,831,277</u> | <u>1,685,800</u> | <u>17,517,077</u> | <u>2,223,426</u> |
| Operating income | <u>1,831,034</u> | <u>230,932</u> | <u>2,061,966</u> | <u>859,604</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2022

| | Enterprise Funds | | | |
|---|--------------------------|---|---------------------|--------------------------|
| | Water & Sewer Fund | Nonmajor Fieldstone Golf Club Fund | Total | Internal Service Fund |
| Nonoperating revenue (expenses) | | | | |
| Investment income (loss) | \$ (289,179) | \$ 10,951 | \$ (278,228) | \$ (61,369) |
| Gain on sale of assets | - | - | - | 140,752 |
| Interest expense | (78,141) | (885) | (79,026) | - |
| Total nonoperating revenues (expenses) | (367,320) | 10,066 | (357,254) | 79,383 |
| Income before contributions and transfers out | 1,463,714 | 240,998 | 1,704,712 | 938,987 |
| Capital contributions | 2,940,299 | - | 2,940,299 | - |
| Transfers out | - | (50,000) | (50,000) | - |
| Change in net position | 4,404,013 | 190,998 | 4,595,011 | 938,987 |
| Net position - beginning of year | 99,409,121 | 11,894,141 | | 8,800,978 |
| Net position - end of year | <u>\$ 103,813,134</u> | <u>\$ 12,085,139</u> | | <u>\$ 9,739,965</u> |
| Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities | | | 143,051 | |
| Change in net position of business-type activities | | | <u>\$ 4,738,062</u> | |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2022

| | Enterprise Funds | | | Internal |
|---|--------------------------|---|----------------------|---------------------|
| | Water & Sewer Fund | Nonmajor Fieldstone Golf Club Fund | Total | Service Funds |
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ 17,436,586 | \$ 1,941,556 | \$ 19,378,142 | \$ 86,828 |
| Receipts from interfund users | - | - | - | 2,965,013 |
| Receipts from other funds | - | 622 | 622 | - |
| Payments to other funds | - | (622) | (622) | - |
| Payments to suppliers | (11,740,121) | (1,032,345) | (12,772,466) | - |
| Payments to employees | (1,095,980) | (360,501) | (1,456,481) | (49,408) |
| Payments for interfund services used | (428,386) | - | (428,386) | (1,316,906) |
| Net cash provided by operating activities | <u>4,172,099</u> | <u>548,710</u> | <u>4,720,809</u> | <u>1,685,527</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfers to other funds | <u>-</u> | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> |
| Cash flows from capital and related financing activities | | | | |
| Capital contributions | 2,287,356 | - | 2,287,356 | - |
| Purchases/construction of capital assets | (2,967,181) | (35,287) | (3,002,468) | (1,825,502) |
| Principal and interest paid on long-term debt | (501,972) | (32,371) | (534,343) | - |
| Proceeds from sale of capital assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>861,427</u> |
| Net cash used by capital and related financing activities | <u>(1,181,797)</u> | <u>(67,658)</u> | <u>(1,249,455)</u> | <u>(964,075)</u> |
| Cash flows from investing activities | | | | |
| Investment income (loss) | <u>(289,179)</u> | <u>10,951</u> | <u>(278,228)</u> | <u>(61,369)</u> |
| Net increase in cash and cash equivalents | 2,701,123 | 442,003 | 3,143,126 | 660,083 |
| Cash and cash equivalents - beginning of year | <u>34,146,308</u> | <u>1,255,621</u> | <u>35,401,929</u> | <u>5,215,917</u> |
| Cash and cash equivalents - end of year | <u>\$ 36,847,431</u> | <u>\$ 1,697,624</u> | <u>\$ 38,545,055</u> | <u>\$ 5,876,000</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2022

| | Enterprise Funds | | | Internal |
|--|--------------------------|---|----------------------|---------------------|
| | Water & Sewer Fund | Nonmajor Fieldstone Golf Club Fund | Total | Service Funds |
| Reconciliation to the statement of net position | | | | |
| Cash and investments | \$ 34,353,332 | \$ 1,697,624 | \$ 36,050,956 | \$ 5,876,000 |
| Restricted assets | 2,494,099 | - | 2,494,099 | - |
| Cash and cash equivalents | <u>\$ 36,847,431</u> | <u>\$ 1,697,624</u> | <u>\$ 38,545,055</u> | <u>\$ 5,876,000</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | | |
| Operating income | \$ 1,831,034 | \$ 230,932 | \$ 2,061,966 | \$ 859,604 |
| Adjustments to reconcile operating income to net cash from operating activities | | | | |
| Depreciation and amortization expense | 2,331,274 | 348,673 | 2,679,947 | 906,520 |
| Changes in assets and liabilities | | | | |
| Receivables (net) | (394,858) | (87,964) | (482,822) | - |
| Inventories | (37,745) | (11,090) | (48,835) | - |
| Prepaid items | - | 199 | 199 | (28,157) |
| Accounts payable | 273,562 | (16,227) | 257,335 | (3,466) |
| Accrued and other liabilities | (2,904) | 2,821 | (83) | 434 |
| Due to other units of government | 10,676 | (1,707) | 8,969 | - |
| Net pension liability and related deferrals | 199,938 | - | 199,938 | - |
| Net OPEB liability and related deferrals | (211,583) | (29,715) | (241,298) | (34,450) |
| Unearned revenue | - | 4,824 | 4,824 | - |
| Customer deposits payable | 169,133 | - | 169,133 | - |
| Deferred inflow of resources - leases | - | 107,964 | 107,964 | - |
| Compensated absences | <u>3,572</u> | <u>-</u> | <u>3,572</u> | <u>(14,958)</u> |
| Net cash provided by operating activities | <u>\$ 4,172,099</u> | <u>\$ 548,710</u> | <u>\$ 4,720,809</u> | <u>\$ 1,685,527</u> |

During 2022, developers contributed \$664,854 of water mains and \$133,819 of sewer mains to the Water & Sewer Fund.

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2022

| | | Custodial Funds | | |
|--|---|---------------------------|---|-----------------------------|
| | Pension and Other Employee Benefit Trust Funds | Tax Collection Fund | Auburn Hills Public Library Investment Pool | Total Fiduciary Funds |
| Assets | | | | |
| Cash and cash equivalents | \$ 2,599,256 | \$ 6,346,901 | \$ 819,915 | \$ 9,766,072 |
| Investments | | | | |
| Pooled investments | - | - | 770,471 | 770,471 |
| Mutual funds | 52,334,460 | - | - | 52,334,460 |
| Hedge funds | 9,175,843 | - | - | 9,175,843 |
| Commingled funds | 13,822,901 | - | - | 13,822,901 |
| Real estate | 6,560,357 | - | - | 6,560,357 |
| Accrued interest and other | 2,752 | - | - | 2,752 |
| | | | | |
| Total assets | <u>84,495,569</u> | <u>6,346,901</u> | <u>1,590,386</u> | <u>92,432,856</u> |
| | | | | |
| Liabilities | | | | |
| Due to other units of government | - | 6,346,901 | - | 6,346,901 |
| | | | | |
| Net Position | | | | |
| Restricted for: | | | | |
| Pensions | 55,752,203 | - | - | 55,752,203 |
| Postemployment benefits other than pension | 28,743,366 | - | - | 28,743,366 |
| Pool participants | - | - | 1,590,386 | 1,590,386 |
| | | | | |
| Total net position | <u>\$ 84,495,569</u> | <u>\$ -</u> | <u>\$ 1,590,386</u> | <u>\$ 86,085,955</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2022

| | | Custodial Funds | | |
|--|---|---------------------------|---|-----------------------------|
| | Pension and Other Employee Benefit Trust Funds | Tax Collection Fund | Auburn Hills Public Library Investment Pool | Total Fiduciary Funds |
| Additions | | | | |
| Contributions | | | | |
| Employer | \$ 3,055,950 | \$ - | \$ - | \$ 3,055,950 |
| Members | 36,293 | - | - | 36,293 |
| Total contributions | <u>3,092,243</u> | <u>-</u> | <u>-</u> | <u>3,092,243</u> |
| Investment earnings | | | | |
| Interest, dividends and other | 2,254,843 | - | - | 2,254,843 |
| Net increase (decrease) in fair value of investments | <u>(10,978,506)</u> | <u>-</u> | <u>(23,011)</u> | <u>(11,001,517)</u> |
| Total investment earnings | <u>(8,723,663)</u> | <u>-</u> | <u>(23,011)</u> | <u>(8,746,674)</u> |
| Less investment costs | | | | |
| Investment activity costs | <u>49,046</u> | <u>-</u> | <u>-</u> | <u>49,046</u> |
| Net investment earnings | <u>(8,772,709)</u> | <u>-</u> | <u>(23,011)</u> | <u>(8,795,720)</u> |
| Property tax collections for other governments | - | 55,889,980 | - | 55,889,980 |
| Additions by Auburn Hills Public Library | - | - | 2,082,926 | 2,082,926 |
| Miscellaneous | <u>9,307</u> | <u>-</u> | <u>-</u> | <u>9,307</u> |
| Total additions | <u>(5,671,159)</u> | <u>55,889,980</u> | <u>2,059,915</u> | <u>52,278,736</u> |
| Deductions | | | | |
| Benefit payments | 5,830,997 | - | - | 5,830,997 |
| Deductions by Auburn Hills Public Library | - | - | 1,809,061 | 1,809,061 |
| Administrative expense | 127,197 | - | - | 127,197 |
| Payments of property tax to other governments | <u>-</u> | <u>55,889,980</u> | <u>-</u> | <u>55,889,980</u> |
| Total deductions | <u>5,958,194</u> | <u>55,889,980</u> | <u>1,809,061</u> | <u>63,657,235</u> |
| Change in net position | (11,629,353) | - | 250,854 | (11,378,499) |
| Net position - beginning of year | <u>96,124,922</u> | <u>-</u> | <u>1,339,532</u> | <u>97,464,454</u> |
| Net position - end of year | <u>\$ 84,495,569</u> | <u>\$ -</u> | <u>\$ 1,590,386</u> | <u>\$ 86,085,955</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Component Units
Statement of Net Position
December 31, 2022

| | <u>TIFA A</u> | <u>TIFA B</u> | <u>TIFA D</u> | <u>Brownfield Redevelopment Authority</u> | <u>Economic Development Authority</u> | <u>Downtown Development Authority</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|---|---|---|-------------------|
| Assets | | | | | | | |
| Current assets | | | | | | | |
| Cash and investments | \$ 3,114,327 | \$ 12,307,492 | \$ 3,439,650 | \$ 2,769,751 | \$ 9,245 | \$ 593,365 | \$ 22,233,830 |
| Receivables | | | | | | | |
| Taxes | 787,430 | 1,007,405 | 196,142 | 195,833 | - | 308,810 | 2,495,620 |
| Leases | 191,845 | - | - | - | - | - | 191,845 |
| Customers | - | - | - | - | - | 13,542 | 13,542 |
| Due from other units of government | 510 | - | - | - | - | - | 510 |
| Prepaid items | 4,941 | - | - | - | - | 610 | 5,551 |
| | <u>4,099,053</u> | <u>13,314,897</u> | <u>3,635,792</u> | <u>2,965,584</u> | <u>9,245</u> | <u>916,327</u> | <u>24,940,898</u> |
| Total current assets | | | | | | | |
| Noncurrent assets | | | | | | | |
| Advances to other component units | - | 41,791 | - | - | - | - | 41,791 |
| Capital assets not being depreciated | 6,135,356 | - | 2,187,614 | - | - | - | 8,322,970 |
| Capital assets, net of accumulated depreciation | 16,465,626 | 7,193,996 | 19,907,740 | - | - | - | 43,567,362 |
| | <u>22,600,982</u> | <u>7,235,787</u> | <u>22,095,354</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>51,932,123</u> |
| Total noncurrent assets | | | | | | | |
| Total assets | <u>26,700,035</u> | <u>20,550,684</u> | <u>25,731,146</u> | <u>2,965,584</u> | <u>9,245</u> | <u>916,327</u> | <u>76,873,021</u> |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Component Units
Statement of Net Position
December 31, 2022

| | TIFA A | TIFA B | TIFA D | Brownfield Redevelopment Authority | Economic Development Authority | Downtown Development Authority | Total |
|--|---------------|---------------|---------------|--|--------------------------------------|--------------------------------------|---------------|
| Liabilities | | | | | | | |
| Current liabilities | | | | | | | |
| Accounts payable | \$ 63,507 | \$ 2,580 | \$ 124,879 | \$ 451,459 | \$ - | \$ 2,397 | \$ 644,822 |
| Accrued and other liabilities | - | 2,488 | - | 9,229 | - | - | 11,717 |
| Due to other units of government | 87 | - | - | - | - | - | 87 |
| Provision for property tax refunds | 666 | 15 | 18,625 | 2 | - | 692 | 20,000 |
| Current portion of noncurrent liabilities | - | - | - | 48,659 | - | - | 48,659 |
| Total current liabilities | 64,260 | 5,083 | 143,504 | 509,349 | - | 3,089 | 725,285 |
| Noncurrent liabilities | | | | | | | |
| Advances from other component units | - | - | - | - | - | 41,791 | 41,791 |
| Long-term debt net of current portion | - | - | - | 361,676 | - | - | 361,676 |
| Total noncurrent liabilities | - | - | - | 361,676 | - | 41,791 | 403,467 |
| Total liabilities | 64,260 | 5,083 | 143,504 | 871,025 | - | 44,880 | 1,128,752 |
| Deferred Inflows of Resources | | | | | | | |
| Property taxes levied for the next fiscal year | 787,430 | 1,007,405 | 196,142 | 195,833 | - | 308,810 | 2,495,620 |
| Deferred amount relating to leases receivable | 191,845 | - | - | - | - | - | 191,845 |
| Total deferred inflows of resources | 979,275 | 1,007,405 | 196,142 | 195,833 | - | 308,810 | 2,687,465 |
| Net Position | | | | | | | |
| Net investment in capital assets | 22,600,982 | 7,193,996 | 22,095,354 | - | - | - | 51,890,332 |
| Unrestricted | 3,055,518 | 12,344,200 | 3,296,146 | 1,898,726 | 9,245 | 562,637 | 21,166,472 |
| Total net position | \$ 25,656,500 | \$ 19,538,196 | \$ 25,391,500 | \$ 1,898,726 | \$ 9,245 | \$ 562,637 | \$ 73,056,804 |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Component Units
Statement of Activities
For the Year Ended December 31, 2022

| | TIFA A | TIFA B | TIFA D | Brownfield Redevelopment Authority | Economic Development Authority | Downtown Development Authority | Total |
|------------------------------------|---------------|---------------|---------------|--|--------------------------------------|--------------------------------------|---------------|
| Expenses | | | | | | | |
| Community and economic development | \$ 2,133,468 | \$ 1,665,740 | \$ 1,200,284 | \$ 1,700,603 | \$ - | \$ 208,281 | \$ 6,908,376 |
| Program Revenue | | | | | | | |
| Charges for services | 51,852 | - | 191 | - | - | - | 52,043 |
| Capital grants and contributions | 15,000 | - | - | 41,341 | - | 15,780 | 72,121 |
| Total program revenue | 66,852 | - | 191 | 41,341 | - | 15,780 | 124,164 |
| Net program (expense) revenue | (2,066,616) | (1,665,740) | (1,200,093) | (1,659,262) | - | (192,501) | (6,784,212) |
| General Revenue | | | | | | | |
| Property taxes | 985,934 | 1,538,052 | - | 234,859 | - | 358,947 | 3,117,792 |
| Unrestricted state-shared revenue | 293,150 | 123,975 | 896,094 | 17,151 | - | - | 1,330,370 |
| Unrestricted investment earnings | 19,111 | - | - | - | 15 | 3,117 | 22,243 |
| Miscellaneous | - | - | - | 41,129 | - | - | 41,129 |
| Total general revenue | 1,298,195 | 1,662,027 | 896,094 | 293,139 | 15 | 362,064 | 4,511,534 |
| Change in net position | (768,421) | (3,713) | (303,999) | (1,366,123) | 15 | 169,563 | (2,272,678) |
| Net position - beginning of year | 26,424,921 | 19,541,909 | 25,695,499 | 3,264,849 | 9,230 | 393,074 | 75,329,482 |
| Net position - end of year | \$ 25,656,500 | \$ 19,538,196 | \$ 25,391,500 | \$ 1,898,726 | \$ 9,245 | \$ 562,637 | \$ 73,056,804 |

See Accompanying Notes to the Financial Statements

City of Auburn Hills
Notes to the Financial Statements
December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Auburn Hills (the City):

Reporting Entity

The City of Auburn Hills, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Blended Component Unit

The Building Authority is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

The following component units are reported within the component unit column in the government-wide financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

Tax Increment Finance Authorities (TIFA) - The TIFAs are governed by a nine-member board. The board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the TIFA board, as the City Council approves the TIFA budgets. The TIFAs were created to finance infrastructure improvements within certain boundaries of the City.

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority is governed by a five-member board. The board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the Brownfield Redevelopment Authority board, as the City Council approves the Brownfield Redevelopment Authority budget. The five-member board is composed of one member of the City Council and four citizens at large. The Brownfield Redevelopment Authority was created to provide a means for financing remediation of brownfield (environmentally contaminated) sites within the City.

Economic Development Corporation (EDC) - The EDC is governed by a nine-member board. This board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the EDC, as the City Council approves the EDC budget. The EDC was created to provide a means and method for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises.

Downtown Development Authority (DDA) - The Downtown Development Authority is governed by a nine-member board. This board is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the DDA, as the City Council approves the DDA budget. The DDA was created to provide a means and method for the encouragement of development in the downtown district of the City.

Although no separate financial statements are prepared for the component units, all financial information can be obtained from the City's finance department.

Pension Trust Fund

The City of Auburn Hills Employee Pension Plan is governed by a seven-member pension board that includes the mayor, city manager, city clerk, finance director, and three union members. Although it is

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legally separate from the City, it is reported as a fiduciary component unit because the City appoints the voting majority to the pension board and the plan imposes a financial burden on the City.

Retiree Health Care Trust Fund

The Auburn Hills Retiree Health Care Plan is governed by a seven-member retiree health care board that includes the mayor, city manager, city clerk, finance director, and three union members. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints the voting majority to the retiree health care board and the plan imposes a financial burden on the City.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, capital project funds, and debt service funds. The City reports the following funds as major governmental funds:

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- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major and Local Streets Fund is used to account for the proceeds of revenue sources that are restricted or committed to expenditures for major and local streets.
- The Capital Projects Fund is used to account for bond proceeds and funds spent on road and traffic improvements.

Additionally, the City reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Debt service funds are used to record special assessment revenue and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a major enterprise fund:

- The Water & Sewer Fund provides water to customers and disposes of sanitary sewage for residents and commercial enterprises of the City on a user-charge basis.

Additionally, the City reports the following nonmajor enterprise fund:

- The Fieldstone Golf Club Fund is used for the operation and maintenance of the City golf course for use of residential and nonresidential customers.

The City's internal service fund is used to record the financing of services provided by the City to other departments and funds on a cost-reimbursement basis. The internal service fund is accounted for on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Pension Trust Fund accumulates resources for pension benefit payments to retirees.
- The Retiree Health Care Trust Fund accumulates resources for future retiree health care payments to retirees.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, and the various smaller authorities).
- The Auburn Hills Public Library Investment Pool accumulates cash and investments on behalf of the Auburn Hills Public Library. The Auburn Hills Public Library deposits are invested with city funds. Income, gains, and losses are allocated based upon the average monthly balance. The Auburn Hills Public Library Investment Pool is not subject to regulatory oversight, is not registered with the Securities and Exchange Commission (SEC), and does not issue a separate report. Investments are valued monthly at fair value.

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Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the governmentwide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received, or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In

addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow. In addition, property taxes collected in December of the current year are available; however, those taxes were levied for the following year's budget; therefore, this revenue has also been shown as a deferred inflow.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments - Cash and cash equivalents include cash on hand and short-term investments with a maturity of three months or less when acquired. Pooled investment income is generally allocated to each fund using a weighted average. Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value, as determined based on the City's share of the audited net asset value (NAV) of the investment.

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The pension and OPEB trusts include investments valued at approximately \$21.7 million (approximately 39 percent of pension assets) and approximately \$2.7 million (approximately 9 percent of OPEB assets), respectively, whose fair values are not publicly traded and, therefore, do not always have a readily determinable market value at year end. Management's estimates of these values are based on the City's share of NAV of the related investment company.

Inventories and Prepaid Items - Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Assets have been restricted in the primary government, as they represent assets held by the Auburn Hills Community Foundation; Oakland County, Michigan; and North Oakland County Water Authority to be applied against future payment obligations of the City. See Note 4 for additional discussion.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City adopted a dollar cost threshold of \$25,000 for capital asset classes pertaining to water/sewer infrastructure/mains, buildings, and roads. The threshold for all other capital asset classes is \$5,000. All capital asset classes must have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City uses a full year of depreciation in the first year of service. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

Infrastructure, buildings, equipment, vehicles, and other capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|--------------------------------|----------------|
| Water and sewer mains | 50 years |
| Vehicles | 3 to 5 years |
| Office furniture and equipment | 3 to 5 years |
| Machinery and equipment | 5 years |
| Buildings and improvements | 30 to 35 years |
| Land improvements | 15 years |
| Roads | 40 years |
| Storm drains | 50 years |

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows of Resources - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that is applicable to a future reporting period. Changes in assumptions and experience differences relating to the net OPEB liability are amortized over the remaining service lives of employees in the plan. Deferred outflows of resources may also be reported as the result of OPEB plan earnings. This occurs when actual

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plan earnings fall short of expected plan earnings and are amortized over future years and is included in OPEB expense.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and/or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. The City has four types of items that arise under a modified accrual basis of accounting that qualifies for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues not collected within the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Both the governmental funds and governmental activities report deferred inflow for property taxes levied for the next year's budget.

Net Position - Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable, where applicable. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption - The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to

consider unrestricted net position to have been depleted before restricted net position is applied.

Fund Balance Flow Assumptions - The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. In all previous years, it has been the City's policy to consider unrestricted fund balance to have been depleted before using any of the components of restricted fund balance. During December 2020, the City's policy was amended on a forward-looking basis to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the finance director, city manager, assistant city manager, and deputy finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget, one time capital projects in the General Fund or for transfers from the General Fund to other funds such as roads to support infrastructure projects and related costs. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City's fund balance policy proscribes the minimum unrestricted fund balance as 20 percent of operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year.

Property Tax Revenue - Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2022 property tax revenue was levied and collectible on December 1, 2022 and is recognized as revenue in the year ending December 31, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$1.803 billion (ad valorem only). A portion of the City's taxable value is abated, and a portion is captured by the TIFAs, Brownfield Redevelopment Authority, and DDA.

These authorities have tax levies both on the December and July property tax bills.

| <u>Purpose</u> | <u>Millage Rate</u> | <u>Revenue</u> |
|-------------------|---------------------|----------------------|
| General Operating | 2.1049 | \$ 3,497,411 |
| Roads | 1.5000 | 2,550,658 |
| Fire Department | 2.4940 | 4,243,159 |
| Police Department | 5.9713 | 10,161,584 |
| Total | | <u>\$ 20,452,812</u> |

Pension - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund and Water & Sewer Fund.

Other Postemployment Benefit Costs - The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when

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due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability has generally been liquidated from the funds from which the individual salaries are paid, which are the General Fund, Water & Sewer Fund, Fieldstone Golf Club Fund, and Fleet Management Fund.

Compensated Absences (Leave Time) - City employees are granted leave time in varying amounts based on length of service. Leave time is accrued and fully vested when earned; upon termination, employees are paid accumulated vacation at full rates to a limit of their maximum accrual, which varies by bargaining unit. All leave time is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and Water & Sewer Fund, primarily) are used to liquidate obligations.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water & Sewer Fund and internal service funds is charges to customers for sales and services. The Water & Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as

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amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending December 31, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making

decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending December 31, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending December 31, 2024.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

| | | | |
|---|----|----------------|------------------|
| Cumulative shortfall at January 1, 2022 | | \$ | (1,308,635) |
| Building permit revenue | | | 2,142,104 |
| Related expenses: | | | |
| Direct expenses | \$ | 1,106,240 | |
| Estimated indirect costs | | <u>323,179</u> | |
| Total related expenses | | | <u>1,429,419</u> |
| Current year surplus (deficit) | | | 712,685 |
| Cumulative shortfall at December 31, 2022 | | \$ | <u>(595,950)</u> |

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Note 3 - Deposits and Investments

Deposits and Investments are reported in the financial statements as follows:

| | Governmental Activities | Business-type Activities | Fiduciary Funds | Component Units |
|----------------------|----------------------------|-----------------------------|-----------------|--------------------|
| Cash and investments | \$ 65,724,349 | \$ 36,050,956 | \$ 92,430,104 | \$ 22,233,830 |

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

| | Governmental Activities | Business-type Activities | Fiduciary Funds | Component Units |
|-----------------------|----------------------------|-----------------------------|-----------------|--------------------|
| Deposits | \$ 14,210,879 | \$ 7,740,608 | \$ 9,766,072 | \$ 6,612,340 |
| Investments: | | | | |
| Oakland County - LGIP | 3,605,912 | 1,531,713 | - | 439,062 |
| Michigan CLASS | 3,448,608 | 508,646 | - | 538,780 |
| Michigan CLASS EDGE | 18,079,617 | 6,460,046 | | 3,005,987 |
| Investment managers | 26,379,333 | 19,809,943 | 82,664,032 | 11,637,661 |
| Total | \$ 65,724,349 | \$ 36,050,956 | \$ 92,430,104 | \$ 22,233,830 |

Michigan Compiled Laws Section 129.91 (Public Act (PA) 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements,

stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City adopted Public Act 149 of 1999, which allows the City to invest retiree health care funds in more diversified investment asset classes, as allowed under Michigan Public Act 314 of 1965, as amended.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, CDs, commercial paper, and municipal bonds. The City's deposits and investment policies are in accordance with statutory authority. The City's treasurer periodically submits recommendations for approved depository banks and credit unions to the City Council. The recommendations are based on external rating services and recommendations by the City's external cash fund managers. Additionally, the City participates in the Oakland County Local Government Investment Pool (LGIP) and the Michigan CLASS investment pool. The investment pools are not subject to regulatory oversight, are not registered with the SEC, and do not issue a separate financial report. The fair value of the position in the pools is the same as the value of the pool shares.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy restricts depository accounts to federally insured institutions located within the state of Michigan (consistent with state law). At year end, the City had \$37,450,686 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The uninsured and uncollateralized amount includes \$11,703,212 of a fiduciary trust fund

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and \$9,230 of component unit deposits. The City believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The City contracts one investment manager to manage a portion of the City's surplus operating cash. The funds placed under the investment manager represent commingled funds of the primary government, component unit funds, an internal service fund, and a custodial external investment pool fund. Investments held by the investment manager at December 31, 2022 by the custodial bank include U.S. Treasuries of \$29,224,324 and U.S. agency securities of \$28,602,613. The investments held by the investment managers include \$11,637,661 and \$770,471 of component unit and Auburn Hills Public Library Investment Pool investments, respectively.

As noted above, the City participates in the Oakland County Local Government Investment Pool, the Michigan CLASS investment pool, and the Michigan CLASS EDGE investment pool. As of December 31, 2022, the City's investment in the Oakland County Local Government Investment Pool was \$5,576,687 which includes \$439,062 of component unit investments. As of December 31, 2022, the City's investment in the Michigan CLASS investment pool was \$4,496,034, which includes \$538,780 of component unit investments. As of December 31, 2022, the City's investment in the Michigan CLASS EDGE investment pool was \$27,545,650, which includes \$3,005,987 of component unit investments.

In addition to the governmental fund bank deposits noted above, the City had cash and investments held in trust by a custodial bank as a part of the City's Pension Trust Fund and Retiree Health Care Trust Fund program. The funds' cash and investments stated at market value were \$55,750,110 and \$28,742,707 in the Pension Trust Fund and

Retiree Health Care Trust Fund, respectively, as of December 31, 2022.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy restricts the average maturity of investments to two years, with the exception of long-term debt or capital fund investments, which may be invested in securities matched to cash flow requirements with a maximum of five years. The City's pension and retiree health care investment policies restrict cash equivalents to a dollar-weighted average maturity of 90 days or less.

At year end, the City had the following investments and maturities:

| Primary Government (Includes Component Unit Investments) | Carrying Value | Less Than One Year | One to Three Years |
|---|----------------------|-----------------------|-----------------------|
| U.S. government agencies | \$ 28,602,613 | \$ 11,263,736 | \$ 17,338,877 |
| U.S. Treasuries | 29,224,324 | 4,440,023 | 24,784,301 |
| Oakland County - investment pool | 5,576,687 | - | 5,576,687 |
| Michigan CLASS - investment pool | 4,496,034 | 4,496,034 | - |
| Michigan CLASS EDGE - investment pool | 27,545,650 | 27,545,650 | - |
| Total | <u>\$ 95,445,308</u> | <u>\$ 47,745,443</u> | <u>\$ 47,699,865</u> |

| Fiduciary Funds | Carrying Value | One to Five Years |
|---------------------------------|----------------------|----------------------|
| Mutual funds - fixed Income | \$ 6,619,298 | \$ 6,619,298 |
| Commingled funds - fixed income | 13,822,901 | 13,822,901 |
| Investment pool | 770,471 | 770,471 |
| Total | <u>\$ 21,212,670</u> | <u>\$ 21,212,670</u> |

City of Auburn Hills
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Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's general investment policy also limits investments to commercial paper to the highest rating (A-/P-I), bankers' acceptances whose long-term debt rating is at least an A, obligations of the State or its political subdivisions to the highest rating (A-/P-I), or pooled funds with a rating of at least an A. As of year end, the credit quality ratings of debt securities (other than the U.S government) are as follows:

| Investment | Fair Value | Rating | Rating Organization |
|---|----------------------|-----------|---------------------|
| Primary Government (Includes Component Unit Investments) | | | |
| U.S. government agencies | \$ 28,602,613 | AA+ | S&P |
| U.S. Treasuries | 29,224,324 | AA+ | S&P |
| Oakland County - investment pool | 5,576,687 | Not rated | N/A |
| Michigan CLASS - investment pool | 4,496,034 | AAA | S&P |
| Michigan CLASS EDGE - investment pool | 27,545,650 | AA+/S1 | Fitch Ratings |
| Total | \$ 95,445,308 | | |
| Fiduciary Funds | | | |
| Mutual funds - fixed income | \$ 6,619,298 | A1 | Moody's |
| Commingled funds - fixed income | 13,822,901 | Aa3 | Moody's |
| Investment pool | 770,471 | AA+ | S&P |
| Total | \$ 21,212,670 | | |

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of December 31, 2022:

| Assets and Liabilities Measured at Carrying Value on a Recurring Basis at December 31, 2021 | | | | |
|---|--|---|---|------------------------------|
| Debt Securities | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at December 31, 2021 |
| | | | | |
| U.S. Treasuries | \$ 29,224,324 | \$ - | \$ - | \$ 29,224,324 |
| U.S. government agencies | - | 29,373,084 | - | 29,373,084 |
| Mutual funds and fixed income | 6,619,298 | - | - | 6,619,298 |
| Total debt securities | 35,843,622 | 29,373,084 | - | 65,216,706 |
| Equity securities | | | | |
| Mutual funds - equity | 45,715,161 | - | - | 45,715,161 |
| Total investments by fair value level | \$ 81,558,783 | \$ 29,373,084 | \$ - | 110,931,867 |
| Investments measured at net asset value (NAV): | | | | |
| Oakland County Local Government Investment Pool | | | | 5,576,687 |
| Michigan CLASS investment pool | | | | 4,496,034 |
| Michigan CLASS EDGE investment pool | | | | 27,545,650 |
| Commingled funds | | | | 13,822,901 |
| Multistrategy hedge funds | | | | 4,014,928 |
| Private equity funds | | | | 5,160,916 |
| Private real estate funds | | | | 6,560,357 |
| Total investments measured at NAV | | | | 67,177,473 |
| Total assets | | | | \$ 178,109,340 |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair values of U.S. government agency securities at December 31, 2022 were determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using interactive data,

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which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|-------------------------------------|----------------------|-------------------------|---|-----------------------------|
| Oakland County Local | | | | |
| Government Investment Pool | \$ 5,576,687 | \$ - | None | None |
| Michigan CLASS investment pool | 4,496,034 | - | None | None |
| Michigan CLASS EDGE investment pool | 27,545,650 | - | None | None |
| Commingled funds | 13,822,901 | - | Daily | Daily |
| Multistrategy hedge funds | 4,014,928 | - | Quarterly | 95 days |
| Private equity funds | 5,160,916 | 562,500 | None | None |
| Private real estate funds | 6,560,357 | 710,645 | None - quarterly | None - 10 days |
| Total | <u>\$ 67,177,473</u> | <u>\$ 1,273,145</u> | | |

Michigan Class Investment Pool - The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A-1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Michigan Class Edge Investment Pool - The Michigan CLASS EDGE investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety,

liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies. It has a rating of AAAf/S1 from FitchRatings.

Oakland County Local Government Investment Pool - The Oakland County Local Government Investment Pool is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

Commingled Funds - This type includes one commingled fund that invest in publicly traded domestic equity, international equity, or fixed income. 100 percent of the assets can be redeemed on a daily basis. All of the underlying securities within the commingled funds carry a Level 1 or Level 2 valuation.

Multistrategy Hedge Funds - This type invests in two hedge funds that pursues multiple strategies to diversify risks and reduce volatility. The hedge funds' portfolio for this type includes investments in approximately 47 percent global stocks, 26 percent global fixed income, and 27 percent balanced/global macro in the Pension Trust Fund and approximately 83 percent in private equity and real estate, 14 percent hedged investments, and 3 percent cash in the Retiree Health Care Trust Fund . The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the investments.

Private Equity Funds - This type includes two private equity fund that invest primarily in debt securities. The investments do not offer a stated redemption window. Instead, the nature of the investments in this type is that the distributions are received through the liquidation of the underlying assets of the funds. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over one to eight years. However, as of December 31, 2022, it is probable

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that all of the investments in this type will be sold at an amount different from the net asset value per share (or its equivalent) of the Plan's ownership interest in partners' capital.

Private Real Estate Funds - This type includes four real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 8 years. 100 percent of the total investment in this type is expected to be sold. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The assets are able to be liquidated via a quarterly redemption queue of approximately 43 percent in the Pension Trust Fund and approximately 55% in the Retiree Health Care Trust Fund. The balance of the assets will be liquidated as underlying properties are sold or the investee fund's management approves of the buyer before the sale of the investments can be completed.

Note 4 - Restricted Assets

Restricted assets in the governmental activities represent cash held by the Auburn Hills Community Foundation (the Foundation) in the amount of \$34,898 that is reflective of donations made to the Foundation for the benefit of the City that are restricted for city capital projects. Restricted assets in the business-type activities are composed of the City's unspent bond proceeds held by Oakland County, Michigan (the County) for the improvement of the water and sewer system in the amount of \$1,717,489. The County holds these moneys to apply against future water and sewer system construction for the City.

Additionally, restricted assets include a deposit held by North Oakland County Water Authority (NOCWA) in the amount of \$776,610. NOCWA is holding the deposit to cover future water expenses.

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|--------------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 5,648,991 | \$ - | \$ - | \$ 5,648,991 |
| Construction-in-progress | 2,888,543 | 6,615,214 | 2,536,843 | 6,966,914 |
| Total capital assets not being depreciated | 8,537,534 | 6,615,214 | 2,536,843 | 12,615,905 |
| Capital assets being depreciated | | | | |
| Roads | 97,271,320 | 3,279,007 | - | 100,550,327 |
| Storm drains | 7,713,816 | - | - | 7,713,816 |
| Buildings and improvements | 23,780,186 | 27,800 | - | 23,807,986 |
| Machinery and equipment | 6,366,577 | 698,379 | 59,628 | 7,005,328 |
| Vehicles | 8,754,350 | 1,414,181 | 657,311 | 9,511,220 |
| Office furnishings and equipment | 437,192 | - | - | 437,192 |
| Land improvements | 2,234,492 | 672,869 | - | 2,907,361 |
| Total capital assets being depreciated | 146,557,933 | 6,092,236 | 716,939 | 151,933,230 |
| Less accumulated depreciation for | | | | |
| Roads | 43,670,811 | 2,624,499 | - | 46,295,310 |
| Storm drains | 2,810,605 | 153,892 | - | 2,964,497 |
| Buildings and improvements | 14,973,967 | 786,896 | - | 15,760,863 |
| Machinery and equipment | 5,440,304 | 538,544 | 468,845 | 5,510,003 |
| Vehicles | 6,215,378 | 687,210 | 248,094 | 6,654,494 |
| Office furnishings and equipment | 433,883 | - | - | 433,883 |
| Land improvements | 21,635 | 71,342 | - | 92,977 |
| Total accumulated depreciation | 73,566,583 | 4,862,383 | 716,939 | 77,712,027 |
| Net capital assets being depreciated | 72,991,350 | 1,229,853 | - | 74,221,203 |
| Governmental activities capital assets, net | \$ 81,528,884 | \$ 7,845,067 | \$ 2,536,843 | \$ 86,837,108 |

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| | Restated Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------------------|--------------|--------------|-------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 8,325,776 | \$ - | \$ - | \$ 8,325,776 |
| Construction-in-progress | 9,169,557 | 1,037,243 | 4,051,405 | 6,155,395 |
| Total capital assets not being depreciated | 17,495,333 | 1,037,243 | 4,051,405 | 14,481,171 |
| Capital assets being depreciated | | | | |
| Water and sewer mains | 98,348,404 | 6,623,036 | - | 104,971,440 |
| Buildings and improvements | 10,708,721 | 39,375 | - | 10,748,096 |
| Machinery and equipment | 2,737,620 | 7,162 | - | 2,744,782 |
| Right to use assets | 63,545 | - | - | 63,545 |
| Total capital assets being depreciated | 111,858,290 | 6,669,573 | - | 118,527,863 |
| Less accumulated depreciation for | | | | |
| Water and sewer mains | 36,725,198 | 2,157,635 | - | 38,882,833 |
| Buildings and improvements | 7,663,836 | 400,191 | - | 8,064,027 |
| Machinery and equipment | 2,513,777 | 90,349 | - | 2,604,126 |
| Right to use assets | - | 31,772 | - | 31,772 |
| Total accumulated depreciation | 46,902,811 | 2,679,947 | - | 49,582,758 |
| Net capital assets being depreciated | 64,955,479 | 3,989,626 | - | 68,945,105 |
| Business-type capital assets, net | \$ 82,450,812 | \$ 5,026,869 | \$ 4,051,405 | \$ 83,426,276 |
| Right to use leased assets | | | | |
| Right to use assets, net of amortization | \$ 63,545 | \$ (31,772) | \$ - | \$ 31,773 |
| Capital assets | | | | |
| Capital assets not being depreciated | 17,495,333 | 1,037,243 | 4,051,405 | 14,481,171 |
| Capital assets, net of depreciation | 64,891,934 | 4,021,398 | - | 68,913,332 |
| Net capital assets | \$ 82,450,812 | \$ 5,026,869 | \$ 4,051,405 | \$ 83,426,276 |

Capital assets activity of the component units for the current year is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|------------|-------------------|
| Component Units | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 8,137,567 | \$ - | \$ - | \$ 8,137,567 |
| Construction-in-progress | 222,935 | 170,404 | 207,936 | 185,403 |
| Total capital assets not being depreciated | 8,360,502 | 170,404 | 207,936 | 8,322,970 |
| Capital assets being depreciated | | | | |
| Roads | 36,470,409 | - | - | 36,470,409 |
| Buildings and improvements | 27,797,346 | - | 969,966 | 26,827,380 |
| Office furniture and equipment | 461,623 | 74,552 | 100,631 | 435,544 |
| Land improvements | 9,233,363 | 1,088,499 | 9,368 | 10,312,494 |
| Total capital assets being depreciated | 73,962,741 | 1,163,051 | 1,079,965 | 74,045,827 |
| Less accumulated depreciation for | | | | |
| Roads | 13,810,160 | 956,189 | - | 14,766,349 |
| Buildings and improvements | 10,523,738 | 731,363 | 369,150 | 10,885,951 |
| Office furniture and equipment | 373,959 | 27,433 | 100,631 | 300,761 |
| Land improvements | 4,084,379 | 441,629 | 604 | 4,525,404 |
| Total accumulated depreciation | 28,792,236 | 2,156,614 | 470,385 | 30,478,465 |
| Net capital assets being depreciated | 45,170,505 | (993,563) | 609,580 | 43,567,362 |
| Component unit capital assets, net | \$ 53,531,007 | \$ (823,159) | \$ 817,516 | \$ 51,890,332 |

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Depreciation and amortization of right of use assets expenses were charged to programs of the primary government as follows:

Governmental activities

| | |
|--|---------------------|
| General government | \$ 224,100 |
| Public safety | 445,740 |
| Public works | 3,195,988 |
| Community and economic development | 90,035 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>906,520</u> |
| Total governmental activities | <u>\$ 4,862,383</u> |

Business-type activities

| | |
|--------------------------------|---------------------|
| Water and Sewer Fund | \$ 2,331,274 |
| Fieldstone Golf Club Fund | <u>348,673</u> |
| Total business-type activities | <u>\$ 2,679,947</u> |

Component unit activities

| | |
|---------------------------------|---------------------|
| TIFA A | \$ 931,733 |
| TIFA B | 352,971 |
| TIFA D | <u>871,910</u> |
| Total component unit activities | <u>\$ 2,156,614</u> |

Construction Commitments

The City had the following construction commitments as of December 31, 2022:

| | Total Commitment | Remaining Commitment |
|-----------------------|----------------------|-------------------------|
| Roads, mains and lots | <u>\$ 17,327,000</u> | <u>\$ 8,023,211</u> |

Note 6 - Interfund Activity

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

| Receivable fund | Payable fund | Amount |
|-----------------|--------------------------------|------------------|
| TIFA B | Downtown Development Authority | <u>\$ 41,791</u> |

TIFA B advanced \$160,000 to the Downtown Development Authority to assist in providing a grant to a developer to address excessive land development costs. The loan will be repaid in annual installments with 3 percent interest in the amount of \$42,498. The loan will be fully repaid at the end of 2023.

The City has the following interfund balances as of December 31, 2022:

| Receivable fund | Payable fund | Amount |
|--------------------------|-----------------------------|-----------------|
| General Fund | Nonmajor governmental funds | \$ 882 |
| Nonmajor enterprise fund | Capital Improvements Fund | <u>622</u> |
| | | <u>\$ 1,504</u> |

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

| Paying Fund (Transfer Out) | Receiving Fund (Transfer In) | Amount |
|-----------------------------|------------------------------|---------------------|
| General Fund | Nonmajor governmental funds | \$ 1,863,400 |
| General Fund | Major and Local Streets Fund | 1,225,000 |
| Nonmajor governmental funds | Major and Local Streets Fund | 100,000 |
| Nonmajor enterprise fund | General Fund | <u>50,000</u> |
| | | <u>\$ 3,238,400</u> |

The transfers from the General Fund to the Major and Local Streets Fund were of unrestricted resources necessary to supplement Act 51 funds provided by the State of Michigan for road maintenance. The transfer from the General Fund to the Capital Improvement Debt Service Fund was of unrestricted resources and was necessary for debt service payments. The transfer from the Wayne-Oakland Disposal Fund to the Major and Local Streets Fund was made with unrestricted funds to support additional local street maintenance expenditure.

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Note 7 - Leases

Lease Receivable

The City and its component units have ten significant agreements leasing ground and airspace for billboards, ground space for cell phone towers, buildings, office space, and parking spaces. The terms of these arrangements are as follows:

| Description | Agreement Date | Lease Terms | Renewal Options | Payment Frequency | Amount | Interest Rate |
|-----------------------------------|----------------|-------------|-----------------|-------------------|---------------------|---------------|
| Outfront Media - ground/air space | 10/17/2016 | 20 years | None | Annual | \$ 45,000 | 1.80% |
| AT&T - ground space | 8/18/1995 | 10 years | 2 10-year terms | Annual | 16,277 | 1.80% |
| Omnipoint - ground space | 4/1/2004 | 5 years | 5 5-year terms | Monthly | 6,000 | 1.80% |
| Nextel - ground space | 10/8/1997 | 10 years | 2 10-year terms | Annual | 15,017 | 1.80% |
| GTP - ground space | 9/11/1997 | 30 years | 6 5-year terms | Annual | 21,130 | 1.80% |
| Verizon - ground space | 8/18/1995 | 30 years | 3 10-year terms | Monthly | 1,966 | 1.80% |
| Library building | 1/1/2022 | 10 years | None | Monthly | 24,765 | 1.80% |
| Chamber office space | 7/25/2022 | 3 years | None | Monthly | 1,660 | 1.80% |
| Parking spaces | 1/1/2017 | 60 months | None | Bi-annual | \$17,487 / \$17,852 | 1.80% |
| Cranks building | 3/1/2016 | 58 months | 4 years | May-September | 11,000 | 1.80% |

The leases have varying rent escalation terms:

- GTP and Verizon ground space leases increase annually equal to the increase in CPI up to a maximum of 5%.
- AT&T and Nextel ground space leases increase annually based on general price levels up to a maximum of 5%.
- Omnipoint ground space lease increases 10% at each renewal.
- Library building increases 4% annually and includes a service component that was not practical to allocate.
- Chamber office space lease increases to \$1,727 per month on August 1, 2023 and to \$1,796 per month on August 1, 2024.

Lease Liability

During the 2019, the City entered into a 54-month lease agreement as lessee for the use of golf carts. An initial lease liability was recorded in the amount of \$63,545. As of December 31, 2022, the value of the lease liability was \$32,059. The City is required to make principal and interest payments of \$5,395 each April, May, June, July, August, and September. The lease has an interest rate of 1.8%. The value of the right-to-use asset as of the end of the current fiscal year was \$63,545 and had accumulated amortization of \$31,772.

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ending December 31 | Business-type Activities | |
|----------------------------|--------------------------|----------|
| | Principal | Interest |
| 2023 | \$ 32,059 | \$ 313 |

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Note 8 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Long-term debt activity for the year ended December 31, 2022 can be summarized as follows:

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------------|---------------------------------|----------------------|------------|--------------|-------------------|------------------------|
| Governmental activities | | | | | | | |
| Bonds payable: | | | | | | | |
| Direct borrowing and direct placements: | | | | | | | |
| State Revolving Fund Loan - | | | | | | | |
| Storm Water Management Retrofit (1) | 2.5% | \$5,000 - \$10,000 | \$ 72,658 | \$ - | \$ 5,000 | \$ 67,658 | \$ 5,000 |
| State Revolving Fund Loan - | | | | | | | |
| Storm Water Management Galloway Drain (1) | 2.5% | \$50,000 - \$60,000 | 480,000 | - | 50,000 | 430,000 | 50,000 |
| Total direct borrowings and direct placement principal outstanding | | | 552,658 | - | 55,000 | 497,658 | 55,000 |
| Other debt: | | | | | | | |
| Capital Improvement Bonds, Series 2017 (LTGO) (2) | 3% | \$425,000 - \$550,000 | 5,260,000 | - | 410,000 | 4,850,000 | 425,000 |
| Special Assessment Bonds, Series 2017 (LTGO) (3) | 2.00% - 2.25% | \$165,000 - \$170,000 | 1,015,000 | - | 175,000 | 840,000 | 170,000 |
| Capital Improvement Bonds, Series 2021 (LTGO) (4) | 2.00% - 3.00% | \$985,000 - \$1,280,000 | 13,240,000 | - | 970,000 | 12,270,000 | 985,000 |
| Total other debt principal outstanding | | | 19,515,000 | - | 1,555,000 | 17,960,000 | 1,580,000 |
| Unamortized bond premiums | | | 1,602,285 | - | 142,584 | 1,459,701 | 142,584 |
| Total bonds payable | | | 21,669,943 | - | 1,752,584 | 19,917,359 | 1,777,584 |
| Compensated absences | | | 1,628,307 | 224,403 | 210,921 | 1,641,789 | 213,847 |
| Total governmental activities | | | \$23,298,250 | \$ 224,403 | \$ 1,963,505 | \$21,559,148 | \$ 1,991,431 |

- (1) The principal repayment amounts for the Storm Water Management Retrofit and Galloway Drain projects represent 60 percent of the project costs, while 40 percent of the project costs qualified for principal forgiveness from the American Recovery and Reinvestment Act of 2009. Principal payments on both projects began in April 2011, and the loan repayments are amortized over 20 years with an interest rate of 2.5 percent.
- (2) In October 2017, the City issued Capital Improvement Bonds to fund a portion of the City's costs of improvements in three Special Assessment Districts (Pacific Drive, N. Atlantic and Continental Drives, and Deepwood Drive) and to fund the construction costs of other identified road, building, and facility improvements completed in 2018. The original issue amount was \$6,865,000. The final loan payment related to issuance is expected to be fiscal year 2032.

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- (3) In October 2017, the City issued Special Assessment Bonds to fund a portion of the City's upfront costs of improvements in three Special Assessment Districts (Pacific Drive, N. Atlantic and Continental Drives, and Deepwood Drive). The original issue amount was \$1,655,000. The final loan payment related to issuance is expected to be fiscal year 2027. Payments on this debt is expected to be made with special assessment revenue collected from benefiting property owners.
- (4) In August 2021, the City issued Capital Improvement Bonds at a purchase price of \$14,588,209 to assist in funding the cost of construction improvements to several roads including all or parts of Auburn, Shimmons, Five Points, Harmon, Taylor, Bald Mountain, Paramount Estates, and the Canadian Subdivision. Also, this issue supports HVAC and roof replacements across City properties. All activity is expected to be completed by 2023. The original issue par amount of the bonds is \$13,240,000. The final loan payment related to issuance is expected to be fiscal year 2033.

| | Interest Rate Ranges | Principal Maturity Ranges | Restated Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------------|---------------------------------|----------------------------------|------------------|-------------------|---------------------|------------------------|
| Business-type activities | | | | | | | |
| Bonds and notes payable | | | | | | | |
| Direct borrowings and direct placements: | | | | | | | |
| Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2010A (5) | 2.50% | \$44,299 - \$54,879 | \$ 485,472 | \$ - | \$ 43,142 | \$ 442,330 | \$ 44,299 |
| Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2011A Segment 2 (6) | 2.50% | \$50,736 - \$63,318 | 673,658 | - | 49,315 | 624,343 | 50,736 |
| Oakland-Macomb Interceptor Drain - Financing source not finalized by Oakland County for OMID 2013A Segment 3 (7) | 2.00% | \$108,998 - \$132,950 | 1,566,610 | - | 106,915 | 1,459,695 | 108,998 |
| State Revolving Fund Loan - Sanitary Sewer Rehabilitation (8) | 2.50% | \$60,000 - \$70,000 | 595,000 | - | 60,000 | 535,000 | 60,000 |
| Clinton River Water Resource Recover Facility - Drainage District Drain Bond, Series 2017 (SRF) (9) | 2.50% | \$23,431 - \$141,580 | 1,914,168 | - | 97,263 | 1,816,905 | 99,616 |
| Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2019A Refunding Bonds (5) | 1.85% | \$12,562 - \$16,530 | 128,269 | - | 12,067 | 116,202 | 12,562 |
| Oakland-Macomb Interceptor Drain - Special Assessment Bonds, Series 2019B (10) | 2.50% | \$56,277 - \$58,000 | <u>226,258</u> | <u>-</u> | <u>55,129</u> | <u>171,129</u> | <u>56,277</u> |
| Total direct borrowings and direct placements principal outstanding | | | 5,589,435 | - | 423,831 | 5,165,604 | 432,488 |
| Leases | | | 63,545 | - | 31,486 | 32,059 | 32,059 |
| Compensated absences | | | <u>126,849</u> | <u>21,617</u> | <u>18,045</u> | <u>130,421</u> | <u>23,489</u> |
| Total business-type activities long-term debt | | | <u>\$ 5,779,829</u> | <u>\$ 21,617</u> | <u>\$ 473,362</u> | <u>\$ 5,328,084</u> | <u>\$ 488,036</u> |

- (5) During 2009, the counties of Macomb and Oakland, Michigan jointly established the Oakland-Macomb Interceptor Drain - Drainage District (OMID), an intercounty drainage district, under Chapter 21 of the Drain Code. The OMID was created to acquire, operate, and maintain the Oakland-Macomb Interceptor (OMI); title to the OMI was transferred from the City of Detroit, Michigan to the OMID as part of a settlement agreement with the City of Detroit, Michigan reached in May 2009. The OMID apportioned the responsibility to pay the debt required to finance this project to the participating cities, townships, and villages located in the two counties. The OMID bond debt will be amortized over a 20-year period with an interest rate of 2.5 percent. The OMID 2010B debt has a 45 percent federal interest subsidy, which is reimbursed to the City semiannually. The OMID 2010B bond was refunded during 2020.

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- (6) During 2011, additional bonds (Series 2011A) were issued through the State's revolving fund loans for Segment 2 of the OMID project. The state revolving fund loan is for a 20-year period with a fixed interest rate of 2.5 percent. The City will have a level debt service payment of approximately \$66,400 for principal and interest for the loan duration. The final loan payment related to this issuance will be in fiscal year 2033.
- (7) Beginning in 2012 as part of Oakland-Macomb Interceptor Drain project, Oakland County, Michigan commenced with Segment 3 of the project. The tentative estimated cost of this segment is \$65,140,000. The City's pro rata share of the project is approximately 3.47 percent, which resulted in the City's share of the debt being approximately \$2.26 million. The City will have a level debt service payment of approximately \$138,300 for principal and interest for the loan duration. The final loan payment related to this issuance will be in fiscal year 2034.
- (8) The principal repayment amounts for the Sanitary Sewer Rehabilitation represent 60 percent of the total project costs, as 40 percent of the project cost qualified for principal forgiveness from the American Recovery and Reinvestment Act of 2009. The first principal payment on this project was paid in April 2011. The loan repayments are amortized over 20 years with an interest rate of 2.5 percent.
- (9) During 2017, the Clinton River Water Resource Recovery Facility Drainage District sold Drain Bonds Series 2017 for the Biosolids Handling and Septage Receiving Facility Project that spans the Oakland County community. This debt reflects the City's 6.124 percent share of this project. The project is in progress at December 31, 2020. The final payment related to this debt is expected in 2038.
- (10) During 2020, as part of the Oakland-Macomb Interceptor Drain project, Oakland County, Michigan and the Great Lakes Water Authority (GLWA) commenced rehabilitation and construction of certain wastewater facilities. This debt reflects the City's 4.9750 percent share of the project. The first principal payment on this project was paid in September 2020. The final payment related to this debt is expected in 2025.

| Component unit | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------------|---------------------------------|----------------------|-----------|------------|-------------------|------------------------|
| Bonds and contracts payable | | | | | | | |
| Direct borrowings and direct placements | | | | | | | |
| Michigan Department of Environmental Quality Loan (11) | 1.5% | \$48,659 - \$54,004 | \$ 458,275 | \$ - | \$ 47,940 | \$ 410,335 | \$ 48,659 |

- (11) In 2016, the Brownfield Redevelopment Authority received a loan from the Michigan Department of Environmental Quality (MDEQ) to fund a redevelopment project. The redevelopment project will be completed by a developer. The Brownfield Redevelopment Authority entered into a loan agreement with the developer for the same amount of the MDEQ loan. The developer will draw down the funds from the Brownfield Redevelopment Authority in the future and will repay the loan through tax increment revenue. The final loan payment for this debt will be in fiscal year 2030.

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Annual debt service requirements to maturity for the above obligations are as follows:

| Year Ending December 31 | Governmental Activities | | | |
|----------------------------|-------------------------|---------------------|----------------------------------|------------------|
| | Other Debt | | Notes from Direct Borrowings and | |
| | Principal | Interest | Direct Placements | Interest |
| 2023 | \$ 1,580,000 | \$ 567,249 | \$ 55,000 | \$ 11,754 |
| 2024 | 1,610,000 | 431,049 | 55,000 | 10,379 |
| 2025 | 1,650,000 | 394,024 | 57,658 | 8,971 |
| 2026 | 1,680,000 | 355,943 | 65,000 | 7,438 |
| 2027 | 1,710,000 | 314,256 | 65,000 | 5,813 |
| 2028-2032 | 8,450,000 | 1,089,756 | 200,000 | 7,626 |
| 2033-2037 | 1,280,000 | 84,450 | - | - |
| | <u>\$ 17,960,000</u> | <u>\$ 3,236,727</u> | <u>\$ 497,658</u> | <u>\$ 51,981</u> |

| Year Ending December 31 | Business-type Activities | | | |
|----------------------------|----------------------------------|-------------------|-------------------|------------------|
| | Notes from Direct Borrowings and | | Component Units | |
| | Direct Placements | Interest | Direct Placements | Interest |
| 2023 | \$ 432,488 | \$ 116,552 | \$ 48,659 | \$ 6,155 |
| 2024 | 441,100 | 106,879 | 49,389 | 5,425 |
| 2025 | 454,946 | 96,953 | 50,130 | 4,684 |
| 2026 | 409,803 | 86,703 | 50,882 | 3,932 |
| 2027 | 417,878 | 77,111 | 51,645 | 3,169 |
| 2028-2032 | 1,989,718 | 208,158 | 159,630 | 4,812 |
| 2033-2037 | 996,240 | 47,286 | - | - |
| 2038 | 23,431 | - | - | - |
| | <u>\$ 5,165,604</u> | <u>\$ 739,642</u> | <u>\$ 410,335</u> | <u>\$ 28,177</u> |

Component Units

Excluded from the component unit long-term debt are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. As of

December 31, 2022, there were five series of Economic Development Corporation bonds outstanding. The aggregate principal amount outstanding could not be determined. However, the bonds' original issue amounts totaled \$16,850,000.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. The City is self-insured for prescriptions. The City records prescription charges incurred through the end of the fiscal year. In 2004, the City became self-insured for property damage to city vehicles under \$75,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 10 years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Pension Plans

Plan Description - The City of Auburn Hills Pension Board of Trustees (the Pension Board) administers the City of Auburn Hills Employee Pension Plan, a single-employer defined benefit pension plan that provides pensions to all full-time employees hired prior to 1998. The plan is closed to new employees. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of seven members: the mayor, city manager, city clerk, finance director, and three union representatives.

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The City established a defined contribution plan as a complementary plan to the defined benefit pension plan. The City Council has authority over plan provisions and contribution requirements. Each union group negotiated a City match to their contribution. Currently, the City provides for a contribution up to 4% of regular wage to Police employees contributions up to 3%. No other groups have defined benefit members or are eligible by bargaining contract to receive a City match to their contribution. As the defined benefit plans closed to all groups, anyone hired after January 1, 2000 had only the defined contribution plan available to them. Those without a defined benefit plan receive a 9% contribution from the City. Additionally, the City contributes 3% more if the EE contributes at least 3%

The City established a 457 plan as well. Employees may make voluntary contributions to this plan in addition to the 401K plan. The City does contribute to the 457 for employees for those group who have bargained such contribution in lieu of contributions to a RHS plan or for those groups who take advantage of nominal employer contribution the employee contributes the same amount.

For the year ended December 31, 2022, the City contributed \$1,506,814 to the plans.

Benefits Provided - The City of Auburn Hills Employee Pension Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefit terms are established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The benefits are defined as follows:

| Unit | Multiplier | Max. | Final Avg. Comp | Member Contribution | Percent | Start | Max |
|-----------------|---|----------------------------|--------------------------|------------------------|---------|--------|----------|
| Admin | 2.65% | 80% | Final 5 | 6% | 2.5% | 55 | 15 years |
| Police officers | 2.80% up to 25 years; 1% Thereafter | 80% | 5 highest consecutive | 7% | 2.5% | 50 (a) | 15 years |
| Police command | 2.80% | 80% | 5 highest consecutive | 5% | 2.5% | 50 | 15 years |
| Detectives | 2.80% | 80% | 5 highest consecutive | 5% | 2.5% | 50 | 15 years |
| Dispatch | 2.65% | YOS limited to 34 years | 5 highest consecutive | 6% | 2.5% | 55 | 15 years |
| IA fire | 2.65% | 80% | Highest 3 of final 5 | 5% | 2.5% | 55 | 15 years |
| PT fire | (b) | 80% | N/A | N/A | N/A | 55 | 15 years |

(a) Normal retirement is either 25 years of service or age 50 with 15 years of service; an officer with 25 years of service could have normal retirement prior to age 50 and would begin receiving benefit increases each January 1 following one year of retirement.

(b) \$5 per month for each year of service prior to January 1, 1988;
\$10 per month for each year of service after January 1, 1988.

Deferred Retirement Annual Amount - Computed as service retirement but based upon service, average final compensation (AFC), and benefit multiplier in effect at termination. Benefits begin at the date retirement would have occurred had the member remained in employment.

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Death after Retirement Annual Amount - Surviving spouse receives the excess of member contributions with interest over the total of benefits paid.

Death in Service Annual Amount - Surviving beneficiary receives 100 times the projected monthly benefit.

Disability Annual Amount - With long-term disability - the greater of a member's accrued benefit or 60 percent of the projected benefit, based on AFC at the date of disability and years of service until earliest retirement (payable at age 65). Without long-term disability - the accrued benefit is payable immediately with 10 years of service if age 40.

Employees Covered by Benefit Terms – At the December 31, 2021 valuation date, the following employees were covered by benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 129 |
| Inactive employees entitled to, but not yet receiving benefits | 7 |
| Active employees | <u>8</u> |
| | <u>144</u> |

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the Pension Board in accordance with the City's collective bargaining units. The system contribution from employees is detailed in the table below. For the year ended December 31, 2022, the City made the actuarially determined contribution of \$1,055,948, plus it contributed \$1,000,002 into a prefunded pension trust, which is reported in this financial statement as a pension and other postemployment benefit trust fund type.

Net Pension Liability - The City has chosen to use December 31, 2022 as its measurement date for the net pension liability. The December 31, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2022 measurement date. The December 31, 2022 measurement date total pension liability was determined by an actuarial valuation performed as of December 31, 2021 that has used procedures to roll the information forward to the measurement date.

Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

- Inflation: 2.25 percent
- Salary increases (including inflation): 3.5 percent
- Investment rate of return (net of investment expense): 6.25 percent
- Mortality rates: Pub-2010 Mortality Table with Generational Projection per MP-2021, with PubS-2010 tables for public safety groups and PubS-2010 tables for all others
- Cost of living adjustments (COLA): 2.5 percent simple payable for 15 years for future retirees. Current retiree COLA depends on date of retirement.

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Investment Rate of Return - The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------------|----------------------|--|
| US Core Fixed Income | 26.00% | 2.13% |
| Private Credit | 4.00% | 6.19% |
| US Large Cap Equity | 21.00% | 4.09% |
| US Small & Mid Cap Equity | 14.00% | 4.10% |
| Global Equity | 15.00% | 5.81% |
| US REITs | 10.00% | 4.50% |
| Hedge Funds | 10.00% | 3.49% |

Rate of return - For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (9.24%). The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Discount rate - The discount rate used to measure the total pension liability was 6.00 percent in the December 31, 2021 roll forward valuation, which unchanged from the prior year's discount rate which was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Changes in Net Pension Liability

Total Pension Liability

| | |
|---|----------------------|
| Service cost | \$ 154,625 |
| Interest on the total pension liability | 4,039,702 |
| Experience differences | (337,715) |
| Changes in assumptions | (23,747) |
| Benefit payments and refunds | (4,520,106) |
| Net change in total pension liability | (687,241) |
| Total pension liability - beginning | 69,400,872 |
| Total pension liability - ending (a) | <u>\$ 68,713,631</u> |

Plan Fiduciary Net Position

| | |
|---|----------------------|
| Employer contributions | \$ 2,055,950 |
| Employee contributions | 36,293 |
| Net investment income (loss) | (5,821,496) |
| Benefit payments and refunds | (73,394) |
| Pension plan administrative expense | (4,520,106) |
| Net change in plan fiduciary net position | (8,322,753) |
| Plan fiduciary net position - beginning | 64,074,956 |
| Plan fiduciary net position - ending (b) | <u>\$ 55,752,203</u> |

| | |
|-----------------------------|----------------------|
| Net pension liability (a-b) | <u>\$ 12,961,428</u> |
|-----------------------------|----------------------|

| | |
|--|------------|
| Plan fiduciary net position as a percentage of total pension liability | 81.14% |
| Covered payroll | \$ 677,377 |
| Net pension liability as a percentage of covered payroll | 1,913.47% |

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Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the employer, calculated using the discount rate of 6.0%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (5%) or 1% higher (7%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-------------------------|----------------------|--------------------------|---------------------|
| Total pension liability | \$ 76,656,039 | \$ 68,713,631 | \$ 62,091,440 |
| Fiduciary net position | <u>55,752,203</u> | <u>55,752,203</u> | <u>55,752,203</u> |
| Net pension liability | <u>\$ 20,903,836</u> | <u>\$ 12,961,428</u> | <u>\$ 6,339,237</u> |

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions - For the year ended December 31, 2022, the employer recognized pension expense of \$430,594. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Total to Amortize |
|--|--------------------------------------|----------------------|
| Net difference between projected and actual earning on plan investments | <u>\$ 3,193,229</u> | <u>\$ 3,193,229</u> |

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

| <u>Year ended December 31,</u> | |
|--------------------------------|---------------------|
| 2023 | \$ (524,761) |
| 2024 | 645,697 |
| 2025 | 1,154,102 |
| 2026 | <u>1,918,191</u> |
| | <u>\$ 3,193,229</u> |

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with benefit terms.

Note 11 - Other Postemployment Benefits

Plan Description - The Auburn Hills Retiree Healthcare Board provides postemployment benefits other than pensions (OPEB) to eligible former City Council members and retired employees and eligible dependents, as well as to certain retirees and eligible dependents of the Auburn Hills Public Library. The benefits are provided through the Auburn Hills Retiree Health Care Plan, a cost-sharing defined OPEB plan administered by the Auburn Hills Retiree Health Care Plan Board. There are two participating employers in the plan, the City of Auburn Hills, Michigan and the Auburn Hills Public Library (the "Library").

The financial statements of the OPEB plan are included in these financial statements as a pension and other postemployment benefit funds (a fiduciary fund).

Management of the plan is vested in the Retiree Healthcare Board, which consists of seven members: the mayor, city manager, city clerk, finance director, and three union representatives.

Benefits provided - The Auburn Hills Retiree Health Care Plan provides health care, dental, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and

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generally the full cost of the benefits is covered by the plan. The City is self-insured for prescriptions, and the full cost of benefits is covered by the plan. As of January 1, 2012, the plan was closed to new entrants.

Employees covered by benefit terms - As of December 31, 2021, the most recent valuation date, the plan membership consisted of the following:

| | |
|-------------------------------------|-------------------|
| Inactive employees or beneficiaries | |
| currently receiving benefits | 112 |
| Active employees | <u>61</u> |
| | <u><u>173</u></u> |

Contributions - The City Code grants the authority to establish and amend the contribution requirements of the City and employees to the board. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the year ended December 31, 2022, the City paid postemployment health care premiums of \$604,395, plus it contributed \$395,605 into a prefunded retiree health care fund, which is reported in these financial statements as a pension and other employee benefit trust fund type. Employees are not required to contribute to the plan.

Net OPEB Liability - The net OPEB liability of \$5,298,261 has been allocated separately to the City and to the Library. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 75, and, therefore, the City has not recorded the Library's proportionate share of the net OPEB liability. The City's proportionate share of the net OPEB liability is \$5,136,175 at December 31, 2022. At December 31, 2022, the City's proportionate share was 96.9 percent, based on the City's number of plan members as a percentage of the plan's total members. At December 31, 2021, the prior measurement date, the City's proportionate share was 96.8 percent, or a 0.1 percent change.

The City has chosen to use the December 31, 2022 measurement date as its measurement date for the net OPEB liability. The December 31,

2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2022 measurement date. The December 31, 2022 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021, which used update procedures to roll forward the liability to December 31, 2022.

Actuarial assumptions - The total OPEB liability in the December 31, 2021 actuarial valuation was determined using an investment rate of return (net of investment expenses) of 6.25 percent; a health care cost trend rate of 6.0 percent for 2022, decreasing to an ultimate rate of 3.9 percent over 53 years for pre-Medicare participants, and a health care cost trend rate of 5.9 percent for 2022, decreasing to an ultimate rate of 3.9 percent over 53 years for post-Medicare participants; and mortality rates based on the PubG-2010 with Generational Projection per MP-2021.

Discount rate - The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates of geometric real rates of return as of the December 31, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------------|-------------------|--|
| US Core Fixed Income | 26.00% | 2.13% |
| Private Credit | 4.00% | 6.19% |
| US Large Cap Equity | 21.00% | 4.09% |
| US Small & Mid Cap Equity | 14.00% | 4.10% |
| Global Equity | 15.00% | 5.81% |
| US REITs | 10.00% | 4.50% |
| Hedge Funds | 10.00% | 3.49% |

Rate of return - For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (9.31%). The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Changes in Net OPEB Liability

Total OPEB Liability

| | |
|------------------------------------|-----------------------------|
| Service cost | \$ 469,138 |
| Interest | 2,073,489 |
| Experience differences | (2,382,400) |
| Changes in assumptions | 455,944 |
| Benefit payments | <u>(1,308,075)</u> |
| Net change in total OPEB liability | (691,904) |
| Total OPEB liability - beginning | <u>34,733,531</u> |
| Total OPEB liability - ending (a) | <u><u>\$ 34,041,627</u></u> |

Plan Fiduciary Net Position

| | |
|---|-----------------------------|
| Employer contributions | \$ 1,000,000 |
| Net investment income (loss) | (2,988,183) |
| Benefit payments | (1,308,075) |
| Administrative expense | <u>(10,342)</u> |
| Net change in plan fiduciary net position | (3,306,600) |
| Plan fiduciary net position - beginning | <u>32,049,966</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 28,743,366</u></u> |

Net OPEB liability (a-b) \$ 5,298,261

Plan fiduciary net position as a percentage of the total OPEB liability is 84.44%.

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Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current discount rate.

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------------------|--------------------|----------------------------------|--------------------|
| Net OPEB liability | \$ 9,952,339 | \$ 5,298,261 | \$ (1,320,201) |
| City's proportionate share | 9,647,837 | 5,136,148 | (1,279,808) |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|----------------------------|--------------------|--|--------------------|
| Net OPEB liability | \$ 1,072,914 | \$ 5,298,261 | \$ 10,495,944 |
| City's proportionate share | 1,040,087 | 5,136,148 | 10,174,810 |

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB - For the year ended December 31, 2022, the City recognized OPEB expense of \$(2,367,866). The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Total to Amortize</u> |
|---|---|--|------------------------------|
| Differences in experience | \$ - | \$ (3,938,962) | \$ (3,938,962) |
| Differences in assumptions | 435,647 | - | 435,647 |
| Net difference between projected and actual earning on plan investments | 1,820,495 | - | 1,820,495 |
| Total | <u>\$ 2,256,142</u> | <u>\$ (3,938,962)</u> | <u>\$ (1,682,820)</u> |
| City's share | \$ 2,187,110 | \$ (3,817,679) | \$ (1,630,569) |
| Library's share | 69,032 | (121,283) | (52,251) |
| Total | <u>\$ 2,256,142</u> | <u>\$ (3,938,962)</u> | <u>\$ (1,682,820)</u> |

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

| <u>Year ended December 31,</u> | |
|--------------------------------|-----------------------|
| 2023 | \$ (3,204,736) |
| 2024 | 18,359 |
| 2025 | 523,231 |
| 2026 | 980,326 |
| | <u>\$ (1,682,820)</u> |

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and full accrual basis of accounting. Investments are stated at fair value. Contribution revenue

City of Auburn Hills
Notes to the Financial Statements
December 31, 2022

is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with benefit terms.

The City also provides retiree health care benefits to employees ineligible for the defined benefit retiree health care plan through the Retiree Health Savings (RHS) Plan. All employee units are vested after 10 years, with the exception of the fire unit, which is vested after five years with the City. The City Council has authority over plan provisions and contribution requirements. For the non-bargaining administrative group, the City is required to contribute 3 percent of total salaries and the employees of this group must contribute 3 percent of their salaries. All bargaining units negotiated a 3 to 4 percent contribution into a 457 plan in lieu of the RHS. During the year ended December 31, 2022, the City made contributions of \$47,041.

Note 12 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment health care plans:

| | Pension Trust Fund | Retiree Health Care Trust Fund |
|---|-----------------------|-----------------------------------|
| Statement of Net Position | | |
| Cash and cash equivalents | \$ 2,084,392 | \$ 514,864 |
| Investments | 53,665,718 | 28,227,843 |
| Other assets | <u>2,093</u> | <u>659</u> |
| Net position | <u>\$ 55,752,203</u> | <u>\$ 28,743,366</u> |
| | | |
| | Pension Trust Fund | Retiree Health Care Trust Fund |
| Statement of Changes in Net Position | | |
| Investment income | \$ (5,778,311) | \$ (2,945,352) |
| Contributions | 2,092,243 | 1,000,000 |
| Miscellaneous | 8,796 | 511 |
| Benefit payments | (4,520,106) | (1,310,891) |
| Investment-related expenses | <u>(125,375)</u> | <u>(50,868)</u> |
| Net change in net position | <u>\$ (8,322,753)</u> | <u>\$ (3,306,600)</u> |

City of Auburn Hills
Notes to the Financial Statements
December 31, 2022

Note 13 - Net Investment in Capital Assets

The components of net investment in capital assets are as follows:

| | Governmental Activities | Business-type Activities | Component Units |
|--|----------------------------|-----------------------------|----------------------|
| Capital assets not being depreciated | \$ 12,615,905 | \$ 14,481,171 | \$ 8,322,970 |
| Capital assets - net of accumulated depreciation | 74,211,986 | 68,913,332 | 43,567,362 |
| Right of use asset, net | - | 31,773 | - |
| Restricted assets | - | 2,494,099 | - |
| Unspent proceeds | 6,448,488 | - | - |
| Debt not related to capitalized asset | - | - | 410,335 |
| General obligation bonds | (18,457,658) | (5,165,604) | (410,335) |
| Leases | - | (32,059) | - |
| Premiums | (1,459,701) | - | - |
| Net investment in capital assets | <u>\$ 73,359,020</u> | <u>\$ 80,722,712</u> | <u>\$ 51,890,332</u> |

Note 14 - Tax Abatements

The City offers property tax incentives to promote economic activity, increase and retain employment, and provide incentives for investment in property that increase the tax base of the City. The more significant property tax abatements, as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, that occurred during fiscal year 2022 are as follows:

The City uses the New Facility Industrial Facilities Exemption Certificate (IFEC) to enter into agreements with local businesses for industrial real property and land improvements, other than a replacement facility to be built or installed in a plant rehabilitation district or industrial development district by an existing business or new business, as provided in PA 198 of 1974. The minimum investment in a facility shall have an estimated construction value of \$2,000,000. Under the program, the City grants reductions of 50 percent of the property tax bill for real property for up to 12 years. As a condition of receiving the IFEC pursuant to city policy, the business agrees to operate the facility for which the certificate is granted for the term of the

certificate plus an additional term after the date of expiration of the certificate equal to one year of business residency per abated year. If a business vacates or fails to operate the facility for which the certificate is granted, then it shall be liable for repayment of any property tax savings benefiting the business due to the existence of the certificate, beginning with the initial effective year of the certificate. For the fiscal year ended December 31, 2022, the City abated approximately \$418,000 of taxes under this program.

The City has a payment in lieu of taxes agreement with a business that provides housing for elderly citizens of low and moderate income, which is federally aided or statute authority aided in accordance with the State Housing Development Act of 1966, as provided in PA 346 of 1966. Under this program, the property pays 6 percent of rental income to the City in lieu of taxes. The tax-exempt status of the property shall be rescinded when the authority no longer has an interest in the property. For the fiscal year ended December 31, 2022, the City abated approximately \$39,000 of taxes under this program.

Finally, the Brownfield Redevelopment Authority, a discretely presented component unit, uses brownfield redevelopment agreements under PA 381 of 1996 to capture property taxes within the brownfield area and then uses those captures to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the City's tax revenue is reduced as this revenue is captured by the Brownfield Redevelopment Authority. For the fiscal year ended December 31, 2022, the Brownfield Redevelopment Authority captured approximately \$292,000 of city taxes, in addition to captures from other taxing jurisdictions. Additionally, this captured brownfield revenue must, by agreement, be used in part to reimburse developers. Due to the restricted nature of these agreements, the Brownfield Redevelopment Authority essentially must pass on related tax dollars to the developers and, for the purpose of this pronouncement, reimbursed approximately \$162,000 to developers during the year.

City of Auburn Hills
Notes to the Financial Statements
December 31, 2022

Note 15 - Joint Venture

The City is a member of the North Oakland County Water Authority, which provides joint management of the four member communities' water systems. Each of the four member communities appoints one member to the governing body. During the year ended December 31, 2022, the City contributed \$4,392,238 to pay water obligations. Additionally, during 2015, the City deposited \$776,610 with NOCWA to cover two months' worth of expenses in the event the City fails to pay that has been recorded as a restricted asset. There are no financial statements available for the authority for the year ended December 31, 2022.

Note 16 - Change in Accounting Principle

As indicated in Note 1, The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement enhances the relevance and consistency of information of the City's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. This adjustment restated beginning net position in governmental activities by \$(84,581) for a restated beginning net position of \$91,556,390 and also restated fund balance in the General Fund by \$(84,581) for a restated beginning fund balance of \$32,109,801.

City of Auburn Hills
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Actual Over (Under) |
|------------------------|-------------------|-------------------|-------------------|------------------------|
| | Original | Final | | Final Budget |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 20,767,439 | \$ 20,762,439 | \$ 20,512,211 | \$ (250,228) |
| Penalties and interest | 11,000 | 11,000 | 16,012 | 5,012 |
| Administration fee | 859,891 | 859,891 | 874,513 | 14,622 |
| Special assessments | 137,419 | 137,419 | 323,253 | 185,834 |
| Licenses and permits | 1,120,275 | 1,120,275 | 2,408,963 | 1,288,688 |
| Federal grants | 1,448,774 | 1,448,774 | 307,330 | (1,141,444) |
| State-shared revenue | 3,787,456 | 3,787,456 | 5,770,577 | 1,983,121 |
| State grants | 56,528 | 56,528 | 92,943 | 36,415 |
| Local contributions | 200,650 | 528,250 | 635,770 | 107,520 |
| Charges for services | 5,025,225 | 5,034,225 | 5,302,931 | 268,706 |
| Fines and forfeitures | 290,000 | 290,000 | 213,933 | (76,067) |
| Investment income | 108,192 | 108,192 | (32,093) | (140,285) |
| Rental income | 348,896 | 348,896 | 328,926 | (19,970) |
| Other revenue | 285,647 | 285,647 | 88,844 | (196,803) |
| Sale of capital assets | 1,000 | 1,000 | 31 | (969) |
| Insurance recoveries | - | - | 244 | 244 |
| Transfers in | 50,000 | 50,000 | 50,000 | - |
| Total revenues | <u>34,498,392</u> | <u>34,829,992</u> | <u>36,894,388</u> | <u>2,064,396</u> |

City of Auburn Hills
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| General government | | | | |
| City Council | \$ 158,982 | \$ 157,052 | \$ 169,109 | \$ 12,057 |
| City Manager | 715,391 | 713,461 | 648,479 | (64,982) |
| Information technology/data processing | 657,510 | 663,310 | 449,646 | (213,664) |
| Treasurer | 725,009 | 615,589 | 535,514 | (80,075) |
| Assessing | 318,354 | 379,229 | 377,430 | (1,799) |
| Clerk | 329,376 | 333,376 | 315,097 | (18,279) |
| Facilities | 1,898,257 | 1,907,463 | 1,093,534 | (813,929) |
| Human resources | 306,822 | 343,698 | 364,952 | 21,254 |
| Pension board | 123,549 | 123,549 | 19,150 | (104,399) |
| Grounds | 1,229,979 | 1,229,979 | 1,088,512 | (141,467) |
| Capital improvements | 3,388,700 | 4,048,696 | 3,100,320 | (948,376) |
| General administration | <u>2,371,275</u> | <u>3,221,828</u> | <u>2,586,897</u> | <u>(634,931)</u> |
| Total general government | <u>12,223,204</u> | <u>13,737,230</u> | <u>10,748,640</u> | <u>(2,988,590)</u> |
| Public safety | | | | |
| Police/sheriff | 8,138,633 | 8,066,788 | 7,477,821 | (588,967) |
| Fire suppression | 4,602,446 | 4,687,020 | 4,189,845 | (497,175) |
| Fire prevention | 346,147 | 343,387 | 323,022 | (20,365) |
| Police administration | 2,854,382 | 2,842,301 | 1,739,385 | (1,102,916) |
| Fire administration | 2,350,102 | 2,513,675 | 801,517 | (1,712,158) |
| Building services | <u>1,076,275</u> | <u>1,081,510</u> | <u>1,046,164</u> | <u>(35,346)</u> |
| Total public safety | <u>19,367,985</u> | <u>19,534,681</u> | <u>15,577,754</u> | <u>(3,956,927)</u> |
| Public works | | | | |
| Stormwater drainage | 365,798 | 367,452 | 156,531 | (210,921) |
| DPW management services | <u>682,761</u> | <u>676,971</u> | <u>641,120</u> | <u>(35,851)</u> |
| Total public works | <u>1,048,559</u> | <u>1,044,423</u> | <u>797,651</u> | <u>(246,772)</u> |

City of Auburn Hills
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--|------------------|---------------|---------------|---|
| | Original | Final | | |
| Health, welfare, and community development | | | | |
| Community development administration | \$ 393,426 | \$ 324,910 | \$ 290,183 | \$ (34,727) |
| Senior citizens | 550,082 | 569,290 | 469,559 | (99,731) |
| SMART grant | 76,667 | 102,267 | 95,189 | (7,078) |
| Total health, welfare, and community development | 1,020,175 | 996,467 | 854,931 | (141,536) |
| Recreation and culture | | | | |
| Recreation | 655,953 | 702,068 | 521,583 | (180,485) |
| Parks maintenance | 1,448,227 | 1,793,241 | 1,111,579 | (681,662) |
| Total recreation and culture | 2,104,180 | 2,495,310 | 1,633,162 | (862,148) |
| Debt service | | | | |
| Principal retirement | 55,000 | 55,000 | 55,000 | - |
| Interest and fiscal charges | 13,129 | 13,129 | 13,129 | - |
| Total debt service | 68,129 | 68,129 | 68,129 | - |
| Total expenditures | 35,832,233 | 37,876,240 | 29,680,267 | (8,195,973) |
| Net change in fund balance | (1,333,841) | (3,046,247) | 7,214,121 | 10,260,368 |
| Fund balance - beginning of year | 32,109,801 | 32,109,801 | 32,194,382 | 84,581 |
| Prior period adjustment | - | - | (84,581) | (84,581) |
| Fund balance - beginning of year, as restated | 32,109,801 | 32,109,801 | 32,109,801 | - |
| Fund balance - end of year | \$ 30,775,960 | \$ 29,063,554 | \$ 39,323,922 | \$ 10,260,368 |

City of Auburn Hills
Required Supplementary Information
Budgetary Comparison Schedule
Major and Local Streets
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------------|-----------------------|-------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Other state grants | \$ 2,994,966 | \$ 2,994,966 | \$ 2,982,194 | \$ (12,772) |
| Interest income | 5 | 5 | 19,919 | 19,914 |
| Other revenue | 52,122 | 52,122 | 73,289 | 21,167 |
| Insurance recoveries | - | - | 5,097 | 5,097 |
| Transfers in | <u>1,625,000</u> | <u>2,025,000</u> | <u>1,325,000</u> | <u>(700,000)</u> |
| Total revenues | 4,672,093 | 5,072,093 | 4,405,499 | (666,594) |
| Expenditures | | | | |
| Current | | | | |
| Streets and public improvements | <u>4,926,026</u> | <u>6,526,619</u> | <u>4,178,759</u> | <u>(2,347,860)</u> |
| Excess of revenues (deficiency) over expenditures | (253,933) | (1,454,526) | 226,740 | 1,681,266 |
| Fund balance - beginning of year | <u>2,191,161</u> | <u>2,191,161</u> | <u>2,191,161</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 1,937,228</u> | <u>\$ 736,635</u> | <u>\$ 2,417,901</u> | <u>\$ 1,681,266</u> |

City of Auburn Hills
Required Supplementary Information
Employee Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
December 31, 2022

| Fiscal year ended December 31, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | | | | |
| Service cost | \$ 154,625 | \$ 322,587 | \$ 341,012 | \$ 443,110 | \$ 624,297 | \$ 591,358 | \$ 842,510 | \$ 809,483 | \$ 381,691 |
| Interest on the total pension liability | 4,039,702 | 3,830,500 | 3,828,935 | 3,840,887 | 3,873,213 | 3,664,089 | 3,459,438 | 3,369,628 | 3,509,763 |
| Experience differences | (337,715) | 481,264 | 660,370 | 1,082,585 | - | 290,536 | (1,807,601) | 489,295 | 72,377 |
| Changes in assumptions | (23,747) | (6,253,413) | 4,296,374 | (1,394,259) | (1,437,482) | 5,467,388 | (9,027,540) | (578,372) | 1,533,771 |
| Benefit payments and refunds | (4,520,106) | (4,304,443) | (4,104,733) | (3,821,541) | (3,593,596) | (3,762,724) | (3,189,841) | (3,056,599) | (2,661,802) |
| Net change in total pension liability | (687,241) | (5,923,505) | 5,021,958 | 150,782 | (533,568) | 6,250,647 | (9,723,034) | 1,033,435 | 2,835,800 |
| Total pension liability - beginning | 69,400,872 | 75,324,377 | 70,302,419 | 70,151,637 | 70,685,205 | 64,434,558 | 74,157,592 | 73,124,157 | 70,288,357 |
| Total pension liability - ending (a) | <u>\$ 68,713,631</u> | <u>\$ 69,400,872</u> | <u>\$ 75,324,377</u> | <u>\$ 70,302,419</u> | <u>\$ 70,151,637</u> | <u>\$ 70,685,205</u> | <u>\$ 64,434,558</u> | <u>\$ 74,157,592</u> | <u>\$ 73,124,157</u> |
| Plan Fiduciary Net Position | | | | | | | | | |
| Employer contributions | \$ 2,055,950 | \$ 1,586,293 | \$ 2,014,732 | \$ 1,702,433 | \$ 765,611 | \$ 1,034,387 | \$ 1,093,400 | \$ 476,733 | \$ 472,439 |
| Employee contributions | 36,293 | 52,261 | 67,512 | 81,344 | 115,417 | 106,629 | 108,915 | 126,708 | 148,282 |
| Net investment income (loss) | (5,821,496) | 7,308,103 | 5,951,307 | 8,950,504 | (933,112) | 6,181,445 | 2,851,238 | 1,630,824 | 3,514,376 |
| Administrative expense | (73,394) | (55,770) | - | (73,524) | - | - | - | - | - |
| Benefit payments and refunds | (4,520,106) | (4,304,443) | (4,104,733) | (3,821,541) | (3,593,596) | (3,762,724) | (3,189,841) | (3,056,599) | (2,661,802) |
| Net change in plan fiduciary net position | (8,322,753) | 4,586,444 | 3,928,818 | 6,839,216 | (3,645,680) | 3,559,737 | 863,712 | (822,334) | 1,473,295 |
| Plan fiduciary net position - beginning | 64,074,956 | 59,488,512 | 55,559,694 | 48,720,478 | 52,366,158 | 48,806,421 | 47,942,709 | 48,765,043 | 47,291,748 |
| Plan fiduciary net position - ending (b) | <u>\$ 55,752,203</u> | <u>\$ 64,074,956</u> | <u>\$ 59,488,512</u> | <u>\$ 55,559,694</u> | <u>\$ 48,720,478</u> | <u>\$ 52,366,158</u> | <u>\$ 48,806,421</u> | <u>\$ 47,942,709</u> | <u>\$ 48,765,043</u> |
| Net pension liability (a-b) | <u>\$ 12,961,428</u> | <u>\$ 5,325,916</u> | <u>\$ 15,835,865</u> | <u>\$ 14,742,725</u> | <u>\$ 21,431,159</u> | <u>\$ 18,319,047</u> | <u>\$ 15,628,137</u> | <u>\$ 26,214,883</u> | <u>\$ 24,359,114</u> |
| Plan fiduciary net position as a percentage of total pension liability | 81.14% | 92.33% | 78.98% | 79.03% | 69.45% | 74.08% | 75.75% | 64.65% | 66.69% |
| Covered payroll | \$ 677,377 | \$ 1,092,276 | \$ 1,178,201 | \$ 1,446,223 | \$ 1,669,155 | \$ 1,787,161 | \$ 2,039,201 | \$ 2,250,657 | \$ 2,124,477 |
| Net pension liability as a percentage of covered payroll | 1,913.47% | 487.60% | 1,344.07% | 1,019.40% | 1,283.95% | 1,025.04% | 766.39% | 1,164.77% | 1,146.59% |

Note: GASB Statement No. 67 was implemented for the fiscal year ended December 31, 2014 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

City of Auburn Hills
Required Supplementary Information
Employee Pension Plan
Schedule of Employer Contributions
December 31, 2022

| Fiscal Year Ended | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------|---|------------------------|--|--------------------|--|
| 2013 | \$ 675,872 | \$ 677,224 | \$ (1,352) | \$ 2,823,161 | 23.99% |
| 2014 | 422,149 | 472,439 | (50,290) | 2,124,477 | 22.24% |
| 2015 | 474,821 | 476,733 | (1,912) | 2,250,657 | 21.18% |
| 2016 | 1,093,400 | 1,093,400 | - | 2,039,201 | 53.62% |
| 2017 | 1,034,387 | 1,034,387 | - | 1,787,161 | 57.88% |
| 2018 | 765,611 | 765,611 | - | 1,669,155 | 45.87% |
| 2019 | 1,230,563 | 1,730,563 | (500,000) | 1,446,223 | 119.66% |
| 2020 | 1,514,732 | 2,014,732 | (500,000) | 1,178,201 | 171.00% |
| 2021 | 1,298,526 | 1,586,293 | (287,767) | 1,092,276 | 145.23% |
| 2022 | 1,055,948 | 2,055,950 | (1,000,002) | 677,377 | 303.52% |

Notes to Schedule of Contributions

Actuarially determined contribution amounts are calculated as of December 31 each year, the year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | N/A |
| Remaining amortization period | Remaining working lifetime |
| Asset valuation method | Five-year smoothing |
| Inflation | 2.25% |
| Salary increases | 3.50% |
| Investment rate of return | 6.25% |
| Retirement age | Retirement rates based on age and group |
| Mortality | Pub-2010 Mortality Table with generational projection per MP-2021 with PubS-2010 for public safety groups and PubG-2010 for all others |

City of Auburn Hills
Required Supplementary Information
Employee Pension Plan
Schedule of Investment Returns

| <u>Fiscal Year Ended</u> | <u>Annual Return % *</u> |
|------------------------------|------------------------------|
| 2014 | 7.60% |
| 2015 | 3.90% |
| 2016 | 6.30% |
| 2017 | 16.92% |
| 2018 | -1.83% |
| 2019 | 18.96% |
| 2020 | 10.90% |
| 2021 | 12.57% |
| 2022 | -9.24% |

* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 67 was implemented for the fiscal year ended December 31, 2014 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

City of Auburn Hills
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
December 31, 2022

| Fiscal year ended December 31, | 2022 | 2021 | 2020 | 2019 | 2018** | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 469,138 | \$ 532,540 | \$ 635,842 | \$ 799,084 | \$ 778,931 | \$ 1,012,637 |
| Interest | 2,073,489 | 2,478,387 | 2,453,325 | 2,351,538 | 2,252,089 | 2,652,607 |
| Experience differences | (2,382,400) | (8,598,679) | (1,479,431) | 77,702 | (781,920) | (781,920) |
| Changes in assumptions | 455,944 | 189,178 | 1,850,059 | 1,355,786 | 180,873 | 600,606 |
| Benefit payments | (1,308,075) | (1,265,213) | (1,339,376) | (1,310,654) | (1,354,238) | (1,304,387) |
| Other | - | - | (20,000) | - | - | - |
| Net change in total OPEB liability | (691,904) | (6,663,787) | 2,100,419 | 3,273,456 | 1,075,735 | 2,179,543 |
| Total OPEB liability - beginning | 34,733,531 | 41,397,318 | 39,296,899 | 36,023,443 | 34,165,788 | 39,915,088 |
| Total OPEB liability - ending (a) | <u>\$ 34,041,627</u> | <u>\$ 34,733,531</u> | <u>\$ 41,397,318</u> | <u>\$ 39,296,899</u> | <u>\$ 35,241,523</u> | <u>\$ 42,094,631</u> |
| Plan Fiduciary Net Position | | | | | | |
| Employer contributions | \$ 1,000,000 | \$ 2,108,273 | \$ 3,376,820 | \$ 2,810,654 | \$ 2,354,238 | \$ 1,604,387 |
| Net investment income (loss) | (2,988,183) | 3,703,698 | 2,422,547 | 3,059,696 | (576,455) | 1,866,867 |
| Benefit payments and refunds | (1,308,075) | (1,265,213) | (1,339,376) | (1,310,654) | (1,354,238) | (1,304,387) |
| Administrative expense | (10,342) | - | - | - | - | - |
| Net change in plan fiduciary net position | (3,306,600) | 4,546,758 | 4,459,991 | 4,559,696 | 423,545 | 2,166,867 |
| Plan fiduciary net position - beginning | 32,049,966 | 27,503,208 | 23,043,217 | 18,483,521 | 18,059,976 | 15,893,109 |
| Plan fiduciary net position - ending (b) | <u>\$ 28,743,366</u> | <u>\$ 32,049,966</u> | <u>\$ 27,503,208</u> | <u>\$ 23,043,217</u> | <u>\$ 18,483,521</u> | <u>\$ 18,059,976</u> |
| Net OPEB liability (a-b) | <u>\$ 5,298,261</u> | <u>\$ 2,683,565</u> | <u>\$ 13,894,110</u> | <u>\$ 16,253,682</u> | <u>\$ 16,758,002</u> | <u>\$ 24,034,655</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 84.44% | 92.27% | 66.44% | 58.64% | 52.45% | 42.90% |

Note: GASB Statement No. 74 was implemented for the fiscal year ended December 31, 2017 and GASB Statement No. 75 was implemented for the fiscal year ended December 31, 2018 and does not require retroactive implementation. Contributions to the plan are not based on a measure of pay; therefore, no covered payroll is presented. Data will be added as information is available until 10 years of such data is available.

**The total OPEB liability as of December 31, 2017 was restated to reflect an updated claims curve methodology.

City of Auburn Hills
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
December 31, 2022

| Fiscal Year Ending | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------|---|------------------------|--|--------------------|--|
| 2013 | \$ 1,039,846 | \$ 966,251 | \$ 73,595 | N/A | N/A |
| 2014 | 1,179,856 | 1,570,268 | (390,412) | N/A | N/A |
| 2015 | 1,421,536 | 1,396,382 | 25,154 | N/A | N/A |
| 2016 | 1,526,848 | 1,287,504 | 239,344 | N/A | N/A |
| 2017 | 1,457,864 | 1,604,387 | (146,523) | N/A | N/A |
| 2018 | 2,233,562 | 2,354,238 | (120,676) | N/A | N/A |
| 2019 | 1,897,955 | 2,810,654 | (912,699) | N/A | N/A |
| 2020 | 1,754,928 | 3,376,820 | (1,621,892) | N/A | N/A |
| 2021 | 931,828 | 2,108,273 | (1,176,445) | N/A | N/A |
| 2022 | 604,395 | 1,000,000 | (395,605) | N/A | N/A |

Notes to Schedule of Contributions

Actuarially determined contribution rates are calculated as of December 31, the year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar |
| Remaining amortization period | 27 years |
| Asset valuation method | Five-year smoothing |
| Inflation | 2.25% |
| Healthcare cost trend rates | 5.0% graded down to 4.0% over 53 years |
| Salary increases | 3.50% |
| Investment rate of return | 6.25% |
| Mortality | Pub-2010 Mortality Table with generational projection per MP-2021 |

City of Auburn Hills
Required Supplementary Information
Other Postemployment Benefits
Schedule of City's Proportionate Share of the Net OPEB Liability
December 31, 2022

| Fiscal year ended December 31, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|--------------|---------------|---------------|---------------|---------------|
| City's proportion of the net OPEB liability | 96.94040% | 96.77627% | 96.90799% | 97.43084% | 97.34332% | 98.92754% |
| City's proportionate share of the net OPEB liability | \$ 13,468,986 | \$ 2,597,054 | \$ 13,464,503 | \$ 15,816,612 | \$ 17,073,942 | \$ 18,319,047 |
| City's covered-employee payroll | \$ 4,695,753 | \$ 5,101,121 | \$ 5,900,336 | \$ 6,394,237 | \$ 6,747,847 | \$ 7,173,993 |
| City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 286.83% | 50.91% | 228.20% | 247.36% | 253.03% | 255.35% |
| Plan fiduciary net position as a percentage of total OPEB liability | 84.44% | 92.27% | 66.44% | 58.67% | 51.31% | 52.86% |

City of Auburn Hills
Required Supplementary Information
Other Postemployment Benefits
Schedule of Investment Returns

| <u>Fiscal Year</u> <u>Ended</u> | <u>Annual</u> <u>Return % *</u> |
|------------------------------------|------------------------------------|
| 2017 | 5.89% |
| 2018 | -3.15% |
| 2019 | 16.07% |
| 2020 | 10.19% |
| 2021 | 14.33% |
| 2022 | -9.31% |

* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 74 was implemented for the fiscal year ended December 31, 2017 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

City of Auburn Hills
Notes to the Required Supplementary Information
December 31, 2022

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first Monday in August, city departments, in conjunction with the finance office, prepare and submit their proposed operating budgets for the year beginning on January 1 to the city manager.
2. The city manager compiles and reviews such budget requests and then prepares recommendations and submits them to the City Council on or before September 1 of each year.
3. A public hearing is conducted to obtain taxpayers' comments.
4. No later than the first Monday in November, the budget is legally enacted through council passage for the budget resolutions.
5. After the budget is adopted, any revisions that alter total expenditure of a department or fund must be approved by the City Council.

The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations) for the General Fund and the fund total level for all other funds.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the General Fund budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

| | <u>Total Revenue</u> | <u>Total Expenditures</u> |
|---|--------------------------|-------------------------------|
| Amounts per operating statement | \$ 37,408,912 | \$ 27,156,666 |
| Bad debt expenditures | (564,799) | (564,799) |
| Other financing sources and uses as revenue and expenditures | <u>50,275</u> | <u>3,088,400</u> |
| Amounts per budget statement | <u>\$ 36,894,388</u> | <u>\$ 29,680,267</u> |

Pension Information

Changes in assumptions:

1. The long-term assumed rate of return was 6.66 percent in 2016 and prior years, 6.54 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, 6.00 percent in 2020, 6.00 percent in 2021, and 6.00 percent in 2022.
2. The mortality tables have been updated annually:

2016 and prior years: RP-2014 Healthy Annuitant Mortality table
2017: RP-2014 with Generational Mortality Scale MP-2016
2018: RP-2014 with Generational Mortality Scale MP-2017
2019: RP-2014 with Generational Mortality Scale MP-2018
2020: Pub-2010 Mortality Table with Generational Projection per scale MP-2019, with PubS-2010 tables for public safety and PubG-2010 tables for all others
2021: Pub-2010 Mortality Table with Generational Projection per scale MP-2020, with PubS-2010 tables for public safety and PubG-2010 tables for all others
2022: Pub-2010 Mortality Table with Generational Projection per the MP-2021 scale, with employee rates before benefit commencement

City of Auburn Hills
Notes to the Required Supplementary Information
December 31, 2022

3. The single discount rate was 5.83 percent in 2016 and prior years, 5.57 percent in 2017, 5.59 percent in 2018, 5.58 percent in 2019, 5.21 percent in 2020, 6.00 percent in 2021, and 6.00 percent in 2022.

OPEB Information

Changes in assumptions:

1. The long-term assumed rate of return was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, 6.00 percent in 2020, 6.25 percent in 2021, and 6.25 percent in 2022.

2. The mortality tables have been updated annually:

2017: RP-2014 with Generational Mortality Scale MP-2016

2018: RP-2014 with Generational Mortality Scale MP-2017

2019: RP-2014 with Generational Mortality Scale MP-2018

2020: Pub-2010 with Generational Projection per scale MP-2019

2021: Pub-2010 Mortality Table with Generational Projection per scale MP-2020, with PubS-2010 tables for public safety and PubG-2010 tables for all others

2022: Pub-2010 Mortality Table with Generational Projection per the MP-2021 scale, with employee rates before benefit commencement and healthy or disabled annuitant rates after benefit commencement

3. The single discount rate was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, 6.00 percent in 2020, 6.25 percent in 2021, and 6.00 percent in 2022.

4. Health care cost trend rates have been updated as follows:

2019: The health care cost trend rate was 8.2 percent for 2019, decreasing to an ultimate rate of 4.1 percent over 72 years for pre-Medicare participants, a health care cost trend rate of 8.5 percent for 2019, decreasing to an ultimate rate of 4.3 percent over 68 years for post-Medicare participants.

2020: The health care cost trend rate was 5.3 percent for 2020, decreasing to an ultimate rate of 4.0 percent over 55 years for pre-Medicare participants, and a health care cost trend rate of 5.6 percent for 2020, decreasing to an ultimate rate of 4.3 percent over 55 years for post-Medicare participants.

2021: The health care cost trend rate was 5.0 percent for 2020, decreasing to an ultimate rate of 4.0 percent over 54 years for both pre-Medicare and post-Medicare participants.

2022: The health care cost trend rate was 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 53 years for both pre-Medicare and post-Medicare participants.

City of Auburn Hills
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

| | Special Revenue Funds | | | | | | Debt Service Funds | | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------------|---------------------|-----------------------------------|-----------------------|------------------|---------------------------------|----------------------------------|-----------------------------------|
| | Metro Act | Wayne-Oakland Disposal | Tree Ordinance | State and Federal Drug Forfeiture | Special Circumstances | CDBG | Special Assessment Debt Service | Capital Improvement Debt Service | |
| Assets | | | | | | | | | |
| Cash and investments | \$ 75,475 | \$ 1,061,591 | \$ 1,169,235 | \$ 31,029 | \$ - | \$ - | \$ 430,262 | \$ 1 | \$ 2,767,593 |
| Receivables | | | | | | | | | |
| Special assessments | - | - | - | - | - | - | 457,792 | - | 457,792 |
| Due from other units of government | - | - | - | - | 168,333 | 24,500 | - | - | 192,833 |
| Total assets | \$ 75,475 | \$ 1,061,591 | \$ 1,169,235 | \$ 31,029 | \$ 168,333 | \$ 24,500 | \$ 888,054 | \$ 1 | \$ 3,418,218 |
| Liabilities | | | | | | | | | |
| Accounts payable | \$ 9,302 | \$ 28 | \$ 46,587 | \$ - | \$ - | \$ 8,925 | \$ - | \$ - | \$ 64,842 |
| Due to other funds | - | - | - | - | - | 882 | - | - | 882 |
| Refundable deposits and bonds | - | - | 244,320 | - | - | - | - | - | 244,320 |
| Total liabilities | 9,302 | 28 | 290,907 | - | - | 9,807 | - | - | 310,044 |
| Deferred inflows of resources | | | | | | | | | |
| Grants and other revenue | - | - | - | - | 127,698 | 7,000 | - | - | 134,698 |
| Special assessments | - | - | - | - | - | - | 434,371 | - | 434,371 |
| Total deferred inflows of resources | - | - | - | - | 127,698 | 7,000 | 434,371 | - | 569,069 |
| Fund Balances | | | | | | | | | |
| Restricted for | | | | | | | | | |
| Public works | 66,173 | - | 878,328 | - | - | - | - | - | 944,501 |
| Public safety | - | - | - | 31,029 | - | - | - | - | 31,029 |
| Health and welfare | - | - | - | - | 40,635 | - | - | - | 40,635 |
| Community and economic development | - | - | - | - | - | 7,693 | - | - | 7,693 |
| Debt service | - | - | - | - | - | - | 453,683 | 1 | 453,684 |
| Committed | - | 1,061,563 | - | - | - | - | - | - | 1,061,563 |
| Total fund balances | 66,173 | 1,061,563 | 878,328 | 31,029 | 40,635 | 7,693 | 453,683 | 1 | 2,539,105 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 75,475 | \$ 1,061,591 | \$ 1,169,235 | \$ 31,029 | \$ 168,333 | \$ 24,500 | \$ 888,054 | \$ 1 | \$ 3,418,218 |

City of Auburn Hills
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

| | Special Revenue Funds | | | | | | Debt Service Funds | | Total Nonmajor Governmental Funds |
|---|-----------------------|------------------------|----------------|-----------------------------------|-----------------------|----------|---------------------------------|----------------------------------|-----------------------------------|
| | Metro Act | Wayne-Oakland Disposal | Tree Ordinance | State and Federal Drug Forfeiture | Special Circumstances | CDBG | Special Assessment Debt Service | Capital Improvement Debt Service | |
| Revenues | | | | | | | | | |
| Special assessments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 254,603 | \$ - | \$ 254,603 |
| Federal grants | - | - | - | - | - | 70,791 | - | - | 70,791 |
| State-shared revenue | 93,768 | - | - | - | - | - | - | - | 93,768 |
| Charges for services | - | 251,305 | 277,020 | - | - | - | - | - | 528,325 |
| Fines and forfeitures | - | - | - | 9,301 | - | - | - | - | 9,301 |
| Investment income (loss) | 444 | (345) | 3,203 | 131 | - | 3 | 20,308 | - | 23,744 |
| Other revenue | - | - | - | - | 40,635 | - | - | - | 40,635 |
| Total revenues | 94,212 | 250,960 | 280,223 | 9,432 | 40,635 | 70,794 | 274,911 | - | 1,021,167 |
| Expenditures | | | | | | | | | |
| Current | | | | | | | | | |
| Public safety | - | - | - | 32,615 | - | - | - | - | 32,615 |
| Public works | 111,063 | 37,248 | 96,506 | - | - | - | - | - | 244,817 |
| Community and economic development | - | - | - | - | - | 83,031 | - | - | 83,031 |
| Debt service | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | 175,000 | 1,380,000 | 1,555,000 |
| Interest and fiscal charges | - | - | - | - | - | - | 19,374 | 483,400 | 502,774 |
| Total expenditures | 111,063 | 37,248 | 96,506 | 32,615 | - | 83,031 | 194,374 | 1,863,400 | 2,418,237 |
| Excess (deficiency) of revenues over expenditures | (16,851) | 213,712 | 183,717 | (23,183) | 40,635 | (12,237) | 80,537 | (1,863,400) | (1,397,070) |
| Other financing sources (uses) | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 1,863,400 | 1,863,400 |
| Transfers out | - | (100,000) | - | - | - | - | - | - | (100,000) |
| Total other financing sources and uses | - | (100,000) | - | - | - | - | - | 1,863,400 | 1,763,400 |
| Net change in fund balances | (16,851) | 113,712 | 183,717 | (23,183) | 40,635 | (12,237) | 80,537 | - | 366,330 |
| Fund balances - beginning of year | 83,024 | 947,851 | 694,611 | 54,212 | - | 19,930 | 373,146 | 1 | 2,172,775 |
| Fund balances - end of year | \$ 66,173 | \$ 1,061,563 | \$ 878,328 | \$ 31,029 | \$ 40,635 | \$ 7,693 | \$ 453,683 | \$ 1 | \$ 2,539,105 |

City of Auburn Hills
Other Supplementary Information
Pension and Other Postemployment Benefits Funds
Combining Statement of Fiduciary Net Position
December 31, 2022

| | Pension Trust Fund | Retiree Health Care Trust Fund | Total |
|--|--------------------------|--------------------------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,084,392 | \$ 514,864 | \$ 2,599,256 |
| Investments | | | |
| Mutual funds | 29,873,639 | 22,460,821 | 52,334,460 |
| Hedge funds | 5,063,800 | 4,112,043 | 9,175,843 |
| Commingled funds | 13,822,901 | - | 13,822,901 |
| Real estate | 4,905,378 | 1,654,979 | 6,560,357 |
| Accrued interest and other | <u>2,093</u> | <u>659</u> | <u>2,752</u> |
| Total assets | <u>55,752,203</u> | <u>28,743,366</u> | <u>84,495,569</u> |
| Net Position | | | |
| Restricted for: | | | |
| Pensions | 55,752,203 | - | 55,752,203 |
| Postemployment benefits other than pension | <u>-</u> | <u>28,743,366</u> | <u>28,743,366</u> |
| Total net position | <u>\$ 55,752,203</u> | <u>\$ 28,743,366</u> | <u>\$ 84,495,569</u> |

City of Auburn Hills
Other Supplementary Information
Pension and Other Postemployment Benefits Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2022

| | Pension Trust Fund | Retiree Health Care Trust Fund | Total |
|---|-----------------------|--------------------------------------|---------------|
| Additions | | | |
| Contributions | | | |
| Employer | \$ 2,055,950 | \$ 1,000,000 | \$ 3,055,950 |
| Members | 36,293 | - | 36,293 |
| Total contributions | 2,092,243 | 1,000,000 | 3,092,243 |
| Investment earnings | | | |
| Interest, dividends and other | 1,357,937 | 896,906 | 2,254,843 |
| Net increase in fair value of investments | (7,136,248) | (3,842,258) | (10,978,506) |
| Total investment earnings | (5,778,311) | (2,945,352) | (8,723,663) |
| Less investment costs | | | |
| Investment activity costs | 49,036 | 10 | 49,046 |
| Net investment earnings | (5,827,347) | (2,945,362) | (8,772,709) |
| Miscellaneous | 8,796 | 511 | 9,307 |
| Total additions | (3,726,308) | (1,944,851) | (5,671,159) |
| Deductions | | | |
| Benefit payments | 4,520,106 | 1,310,891 | 5,830,997 |
| Administrative expense | 76,339 | 50,858 | 127,197 |
| Total deductions | 4,596,445 | 1,361,749 | 5,958,194 |
| Change in net position | (8,322,753) | (3,306,600) | (11,629,353) |
| Net position - beginning of year | 64,074,956 | 32,049,966 | 96,124,922 |
| Net position - end of year | \$ 55,752,203 | \$ 28,743,366 | \$ 84,495,569 |

City of Auburn Hills
Other Supplementary Information
Street Fund Detail
Combining Balance Sheet
December 31, 2022

| | <u>Major Streets</u> | <u>Local Streets</u> | <u>Total</u> |
|---|--------------------------------|------------------------------|--------------------------------|
| Assets | | | |
| Cash and investments | \$ 2,694,692 | \$ 482,602 | \$ 3,177,294 |
| Other receivables | 27,130 | 10,000 | 37,130 |
| Due from other units of government | <u>405,746</u> | <u>118,995</u> | <u>524,741</u> |
| Total assets | <u><u>\$ 3,127,568</u></u> | <u><u>\$ 611,597</u></u> | <u><u>\$ 3,739,165</u></u> |
| Liabilities | | | |
| Accounts payable | \$ 113,281 | \$ 76,147 | \$ 189,428 |
| Accrued and other liabilities | 24,400 | 9,954 | 34,354 |
| Due to other units of government | 1,025 | - | 1,025 |
| Refundable deposits and bonds | <u>588,220</u> | <u>507,871</u> | <u>1,096,091</u> |
| Total liabilities | <u><u>726,926</u></u> | <u><u>593,972</u></u> | <u><u>1,320,898</u></u> |
| Deferred inflows of resources | | | |
| Grants and other revenue | <u>366</u> | <u>-</u> | <u>366</u> |
| Fund Balances | | | |
| Restricted for Streets | <u>2,400,276</u> | <u>17,625</u> | <u>2,417,901</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u><u>\$ 3,127,568</u></u> | <u><u>\$ 611,597</u></u> | <u><u>\$ 3,739,165</u></u> |

City of Auburn Hills
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Street Fund Detail
For the Year Ended December 31, 2022

| | <u>Major Streets</u> | <u>Local Streets</u> | <u>Total</u> |
|---|-------------------------|------------------------|-------------------------|
| Revenues | | | |
| Other state grants | \$ 2,320,118 | \$ 662,076 | \$ 2,982,194 |
| Investment income (loss) | 15,801 | 4,118 | 19,919 |
| Other revenue | <u>73,289</u> | <u>-</u> | <u>73,289</u> |
| Total revenues | 2,409,208 | 666,194 | 3,075,402 |
| Expenditures | | | |
| Current | | | |
| Streets and public improvements | <u>1,805,476</u> | <u>2,373,283</u> | <u>4,178,759</u> |
| Excess (deficiency) of revenues over expenditures | <u>603,732</u> | <u>(1,707,089)</u> | <u>(1,103,357)</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | 1,325,000 | 1,325,000 |
| Insurance recoveries | <u>5,097</u> | <u>-</u> | <u>5,097</u> |
| Total other financing sources and uses | <u>5,097</u> | <u>1,325,000</u> | <u>1,330,097</u> |
| Net change in fund balances | 608,829 | (382,089) | 226,740 |
| Fund balances - beginning of year | <u>1,791,447</u> | <u>399,714</u> | <u>2,191,161</u> |
| Fund balances - end of year | <u>\$ 2,400,276</u> | <u>\$ 17,625</u> | <u>\$ 2,417,901</u> |