



City of Auburn

City of Auburn, Alabama

Popular Annual Financial Report

The Short Form Report for Citizens

For the Year October 1, 2008 through September 30, 2009

THIS FINANCIAL REPORT

The City Council and City management are committed to providing citizens with information about the City's finances. This unaudited short form report gives very summarized information about the financial activities of the City; it does not give all of the detailed information required by national accounting rules (generally accepted accounting principles, called GAAP).

This short report is prepared from the more detailed information in the City's 2009 Comprehensive Annual Financial Report (CAFR). The CAFR conforms to the national accounting rules (GAAP) and includes audited financial statements and related information provided in narrative format.

The GAAP-basis presentation in the CAFR includes the City's component units (related organizations) and information about all of the City's individual funds. Governmental accounting rules require cities to keep many sets of "books" (accounting records called "funds") to show that spending meets legal requirements. The CAFR gives full disclosure of all material events in narrative notes to the financial statements. The CAFR is available at City Hall, the Public Library, and online www.auburnalabama.org/CAFR.

FINANCIAL HIGHLIGHTS OF 2009

This section provides information about the City taken as a whole, with all of its funds (sets of books) combined. Other sections of this short report will give financial details of the City's largest funds viewed separately.

The City owns things of value, called 'assets,' including cash, receivables, land, buildings and equipment. The City also has debts (owes money), called 'liabilities.' Some liabilities have to be repaid in less than a year and some are due to be repaid many years in the future (called 'long-term debt').

At September 30, 2009, the City's total assets were valued at \$256.3 million; the City's total liabilities were \$207.8 million. The \$48.5 million excess of assets over liabilities (\$256.3M—\$207.8M = \$48.5M) is called "net assets." During the year that ended on September 30, 2009, the City's net assets decreased by \$3.6 million, a 6.9% decrease from September 30, 2008. At 2009 fiscal year-end, net assets were 19% of total assets; at the end of 2008, net assets were 24% of total assets.

It is not uncommon for governments' net assets to decrease in any given year. Net assets will decrease when a government's revenues (resources coming in to the government, such as taxes) are less than its expenses (resources flowing out of the government while providing

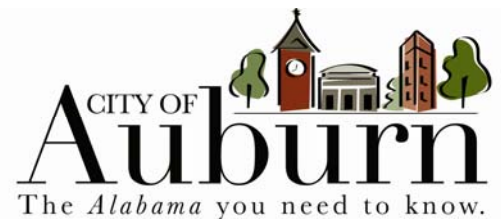
services to citizens). The general economic downturn in the United States affected the amount of revenue received by the City in fiscal 2009.

The City government, viewed as a whole, had revenues of \$82.4 million in 2009, a decrease of \$9.6 million (10%), from 2008. In 2008, Lee County dedicated a number of roads to the City; this event produced a \$12.3 million decrease in the City's revenue from 2008 to 2009. Also in 2008, there was a non-routine event (the early repayment of receivables) which generated \$1.6 million in revenue; this event did not occur again in 2009, contributing to the revenue decline. Auburn's single largest revenue source is sales and use taxes. Sales and use tax revenue in fiscal 2009 was 4.3% (\$900,976) less than in 2008. The City's second largest revenue source, property taxes, increased in 2009 by 12.4%, producing \$2.1 million in additional revenue. Occupation license fees, the third largest revenue source decreased slightly (\$67,178, less than 1%) in 2009.

City expenses increased by \$8.6 million from 2008 (\$77.5 million) to 2009 (\$86.1 million). The government function with the largest increase was education (\$9.5 million increase). Included in the City's 2009 payments to Auburn City Schools was \$8.5 million of borrowing proceeds. The City borrows money on behalf of the School Board and then gives the borrowed money to the Schools to pay for improvements. Excluding this event, City expenses for 2009 were virtually level with 2008.

THE CITY OF AUBURN ~ OVERVIEW

The City of Auburn, home of Auburn University, was founded in 1836, incorporated in 1839. Auburn University was established in 1856. The City covers 57.9 square miles in east central Alabama. Home to approximately 56,000 residents, Auburn is one of the fastest growing cities in Alabama. The City of Auburn operates under a Council-Manager form of government, with eight Council members elected from eight single-member districts to four-year terms. The Mayor is elected at-large. This legislative body establishes policy to guide the various City departments in providing services to citizens. The City Manager is the chief executive officer of the City, directing and managing the daily activities of the City government. The City's departments include: Office of the City Manager, Judicial, Information Technology, Finance, Economic Development, Human Resources, Public Safety, Public Works, Environmental Services, Library, Parks & Recreation, Planning, and Water Resource Management and are staffed by approximately 460 regular, full-time employees.



City of Auburn Mission Statement

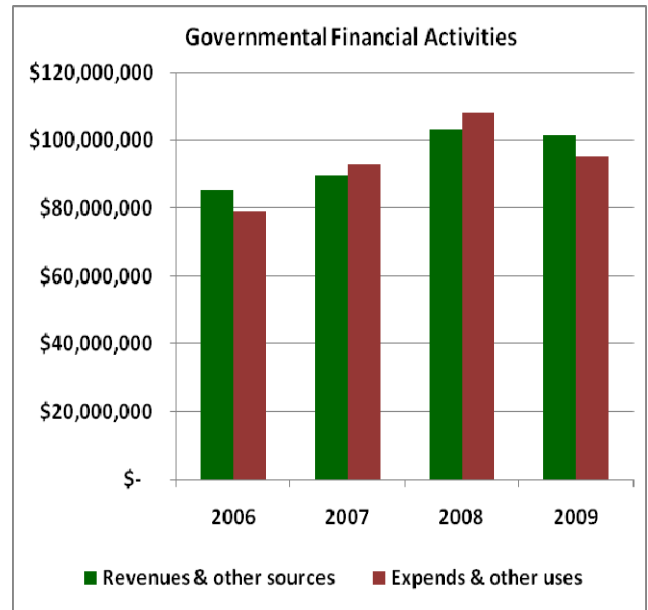
The mission of the City of Auburn is to provide economical delivery of quality services, created and designed in response to the needs of its citizens rather than by habit or tradition.

THE CITY’S GOVERNMENTAL AND BUSINESS-TYPE FINANCIAL ACTIVITIES

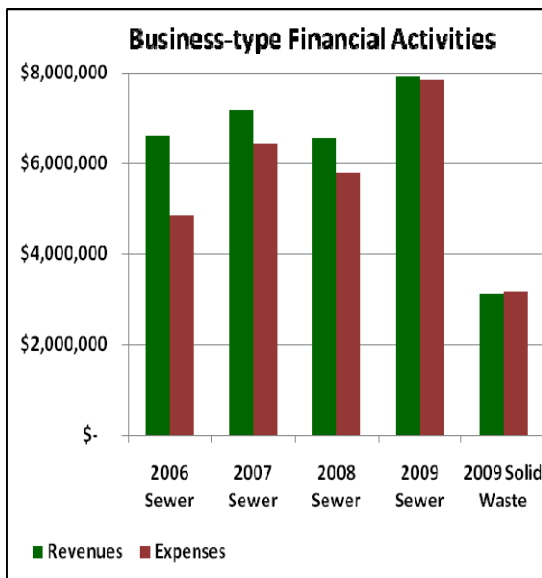
The City’s financial activities are separated into two basic types: governmental activities and business-type activities. Governmental activities include typical government functions such as public safety, public works and recreation. Governmental activities are financed with taxes, license fees and other general revenues of the City. General revenues are so called because there is no direct relationship between the amount of the tax or fee paid by and the amount of services received by citizens. Business-type activities are governmental services provided to the general public for a fee, such as the City’s sewer and solid waste services. Business-type activities are accounted for in a way that compares the costs of providing the services to the public with the revenue received. from the

GOVERNMENTAL ACTIVITIES

In fiscal 2009, the City’s governmental activities received revenues of \$73 million, plus debt proceeds and other resources of \$28.3 million, for total resources of \$101.3 million, a 1.8% decrease from the 2008 total of \$103.2 million. Total 2009 resources included \$19.6 million of debt proceeds and \$8.7 million of monies transferred from one governmental fund to another. Governmental expenditures in 2009 were \$86.6 million; plus \$8.7 million was transferred between funds, totaling \$95.3 million. The 2008 total of governmental expenditures and other uses was \$108.3 million, \$13 million more than in 2009. Total governmental revenues and other sources exceeded expenditures and other uses by \$6 million in 2009. The governmental fund with the largest increase in net assets was the 2009 Capital Projects; receiving \$9 million of debt proceeds and spending only \$1.8 million during 2009. Trends in total governmental revenues and other sources, expenditures and other uses for the past four years are shown at right.



BUSINESS-TYPE ACTIVITIES



The City of Auburn has two business-type activities: Sewer Revenue and Solid Waste Management. Solid waste activities, including recycling, were included with the governmental activities until fiscal year 2009, when management decided to separately account for these services provided to the general public for a fee. By accounting for solid waste activities in a business-type fund, there is a separate accounting for the revenues and expenses of providing these services to the public. If the expenses for solid waste services consistently exceed the related revenues, any subsidy from the City’s General Fund is clearly identified. Sewer Fund operating revenues increased by \$1.3 million in fiscal 2009, a 19.6% increase. The Council approved rate increases for sewer services and for sewer access fees during 2009, based on the recommendation of a sewer rate study. The Sewer Fund’s revenues exceeded its expenses by \$86,867 in 2009; in 2008 the Sewer Fund’s revenues were \$350,559 less than its revenues. The Solid Waste Management Fund’s revenues were \$40,425 less than its expenses in 2009. Net assets of the City’s business-type activities increased by \$1.2 million in 2009. Trends in these business-type revenues and expenses for the past four years are shown at left.

City of Auburn ~ Bond Ratings

The City received its most recent bond ratings in 2009.

Standard & Poor’s upgraded the City from AA to AA+ in November 2008; this rating was confirmed in September 2009.

Moody’s Investors Services confirmed the City’s Aa3 bond rating in September 2009.

The “double A” rating is reserved for organizations characterized by competent management, stable economies, and manageable debt levels — for governments judged to have a very strong capacity to meet their financial commitments.

THE GENERAL FUND

The City's General Fund is a separate set of books that accounts for its general revenues and continuing governmental activities. The General Fund is the City's single largest fund, in terms of both revenues and expenditures. Governmental accounting rules provide that any activity that is not required (by the rules) to be accounted for in another fund, will be accounted for in the General Fund. At September 30, 2009, Auburn's General Fund had assets of \$31.7 million and liabilities of \$2.8 million. The asset total included \$16.9 million in cash and investments and \$5.8 million in receivables. The General Fund's total liabilities do not include the City's long-term debt because governmental funds only account for short-term liabilities.

At 2009 fiscal year-end, the General Fund had net assets (in governmental funds, "net assets" are called "fund balance") of \$28.8 million. City management has a goal of maintaining a fund balance in the General Fund at least equal to 20-25% of General Fund expenditures, in order to provide adequate resource reserves to enable the government to continue public services after natural disasters or economic downturns.

General Fund	Fiscal 2008	Fiscal 2009
Revenues	\$ 54,922,691	\$ 54,018,321
Revs & other sources	\$ 80,921,747	\$ 56,307,286
Expends & other uses	\$ 80,209,593	\$ 56,328,961
Fund bal - unreserved	\$ 15,882,269	\$ 19,983,950
<i>As % of revenues</i>	29%	37%
<i>As % of expends</i>	20%	35%
Fund balance - total	\$ 28,849,933	\$ 28,828,259
<i>As % of revenues</i>	53%	53%
<i>As % of expends</i>	36%	51%

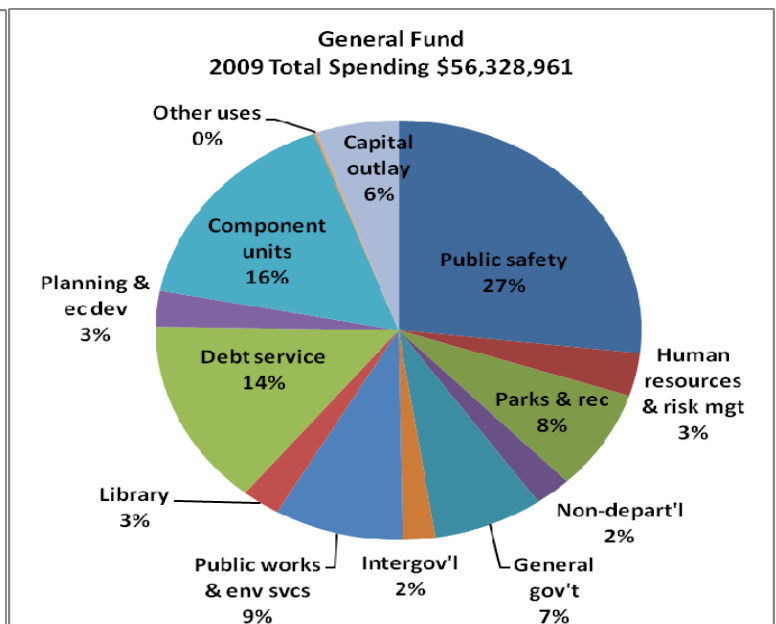
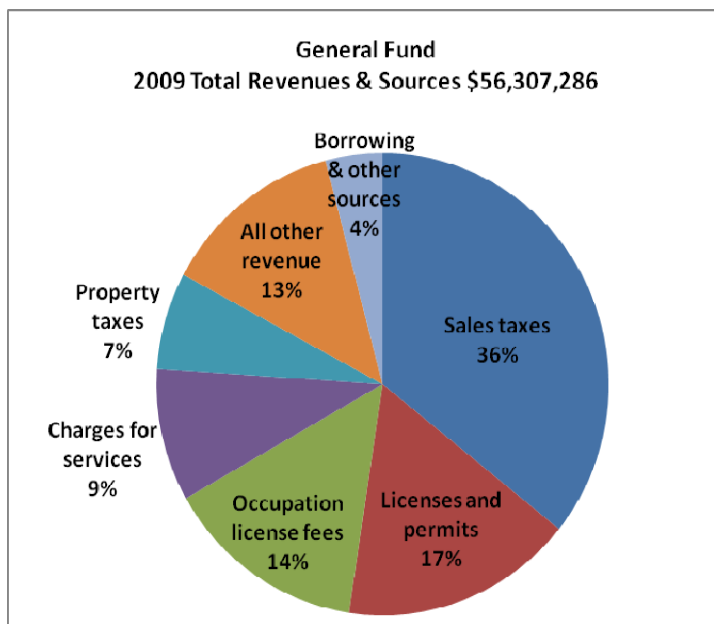
The importance of a strong fund balance in the General Fund was clearly demonstrated during fiscal 2009, enabling the City to continue to provide high quality services to its citizens without making severe spending reductions.

General Fund Revenue Total revenues in the General Fund for 2009 declined by 1.6% (\$904,370) from the prior fiscal year. The City had planned for (budgeted) less revenue in the General Fund; actual revenues exceeded budget by \$1.8 million.

- > The largest factor in this decrease was the downturn in sales taxes of \$900,976 (4.3%), The nation's economic conditions affected Auburn, though not quite as severely as other cities.
- > Occupation license fees also declined slightly (\$67,178).
- > Licenses and permits, the majority of which is comprised of business license fees, increased in 2009, by \$1.1 million (13%).
- > Property taxes also increased in the General Fund, by 6.8% (\$242,160), a smaller increase than in prior years.
- > Lodging taxes also reflected the slow economy, decreasing 17% or \$241,097 in 2009.
- > Revenues from charges for services decreased by \$2.2 million. However, \$3.1 million of revenue for solid waste and recycling services was moved out of the General Fund to a business-type fund (to account for solid waste and recycling like a business). If this change had not been made, charges for services revenue would have increased by \$900,000.

General Fund Expenditures totaled \$56.2 million in 2009, representing a decrease of \$24 million from 2008. However, 2008 expenditures included \$21.4 million to repay some long-term debt in advance and replace temporary financing with long-term debt; the City does not have this type of expenditure every year.

- > Departmental expenditures decreased by \$1.4 million in 2009.
- > Public Safety spending increased by \$703,626 in 2009, primarily because of the availability of grant funds to upgrade policing technology (computers and software).
- > Environmental Services expenditures in the General Fund decreased from \$4.3 million in 2008 to \$1.6 million in 2009. This was the result of moving the solid waste and recycling services' costs from the General Fund to a separate, business-type fund.
- > Capital outlay expenditures in 2009 of \$3.1 million were a decrease of \$1.2 million from the prior year.
- > Debt service spending decreased by \$19.7 million in 2009. Excluding the effect of refinancing, 2009 debt service costs of \$8.1 million reflect an increase of \$1.7 million from 2008. Principal repaid in 2009 increased by \$2 million; interest decreased by \$336,930.



MAJOR INITIATIVES IN FISCAL 2009

The City's annual Citizen Survey and the Council's priority setting processes are the foundation for the budget. Typically, education is identified as the top priority of citizens and Council members. In 2009, the City provided \$6,988,003 from its General Fund to Auburn City Schools, an increase of nearly \$200,000 over the prior year. The City provided \$6.1 million in education property tax resources to the Schools, as well. To finance an expansion of Auburn High School, the City issued \$8.5 million in general obligation debt and provided these proceeds to the School Board in 2009.

Public safety is also a priority of Auburn citizens. In support of that concern, the City spent \$952,011 more on public safety in 2009 than in 2008. A significant portion of the increase was expended for enhanced computer technology for policing. A new traffic unit was added to the Patrol section of the Police Division, to address citizens' concerns about speeding and red-light running.

Citizens and management expect public infrastructure to be well-maintained and expanded proactively. Capital outlay expenditures in 2009 were down overall and in the General Fund by \$1.2 million, as a result of reduced resources; however, the City did engage in several infrastructure improvements, which were partially funded by grants: Improvements to the Donahue/Magnolia intersection, previously considered Auburn's worst intersection; the re-routing of Highway 14 and Bragg Avenue for better traffic flow and improved safety; completion of the Samford Avenue extension to Glenn Avenue; numerous sidewalk projects funded by Safe Routes to Schools grants; extension of Twin City Court into a four-lane entry to the Auburn-Opelika Robert G. Pitts Airport, renamed Mike Hubbard Boulevard; downtown pedestrian street crossing improvements; and the North College Historic District street lighting project.

Despite the national economic downturn, the City continued its economic development initiatives to recruit new businesses and to support the expansion of existing companies. Fiscal 2009 saw the expansion of seven existing industries, which added over 300 jobs to the Auburn economy and expanded these firms' capital investment by \$42.2 million. One new industrial location was announced, adding 15 jobs and \$1.5 million of capital investment. The cumulative effect of the City's 20+ years of economic development activity is clear: approximately 23% of the revenue from the City's top four revenue sources is contributed by companies recruited by the City or whose expansions have been supported by the City. Approximately 19% of the General Fund's 2009 total revenues were directly or indirectly the result of the City's economic development initiatives. The diversity of the City's tax base has provided some measure of stability for the City's economy during challenging economic times.

DEBT ISSUED IN 2009

In fiscal 2009, the City issued debt (borrowed money) nine different times; some of this borrowing was to repay existing debt in order to reduce interest costs.

> In October 2008, the City borrowed \$2,031,270 to pay for the East Samford Avenue extension project. This debt will be repaid in September 2015.

> The City borrowed \$25.37 million in December 2008. Of this amount, \$12.1 million was to pay off a construction loan for sewer projects. The remainder is also being used to finance sewer infrastructure construction: the Choctawfaula interceptor sewer line (phase 2) and pump station, the Northside transfer force main and the Saugahatchee interceptor sewer line rehabilitation project. The \$25.37 million is scheduled to be repaid in December 2033.

> The City borrows money on behalf of Auburn City Schools; this debt is repaid from the City's property taxes dedicated for education. In December 2008, the City borrowed \$8.5 million and transferred that money to the Schools to pay for additions and renovations to Auburn High School. Repayments are scheduled through June 2028.

> The City held a referendum in January 2009 at which the voters approved borrowing \$9 million to finance a variety of projects: Frank Brown Rec Center renovations, Donahue/Magnolia intersection improvements, Wire Road and North Donahue bridge replacements and street reconstruction. The debt was issued in July 2009 and is planned to be repaid by May 2021.

> In September 2009, the City borrowed \$15.245 million, in part to repay part of an outstanding debt at a lower interest rate. Similar to refinancing a home mortgage, this refunding will reduce the total amount of the City's payments to pay off the amount that was borrowed in 2001.

IT'S GREAT TO BE IN AUBURN

The City's commitment to strong financial management goals, education as a top priority and a focused economic development strategy to grow and diversify the tax base has been nationally recognized:

> The Auburn-Opelika area was named among the top 10 strongest building markets by *Business Week* magazine in September 2009.

> *US News & World Report* listed the Auburn area as one of the ten best places to live in the United States in June 2009.

> *Forbes Magazine* ranked Auburn #1 in projected job growth from a field of 179 small metro areas in the U.S. *Forbes* also ranked Auburn as the # 10 Best Small Place for Business and Careers in March 2009.

> In March 2009, Auburn was named the best city in the U.S. for starting a new business by *BusinessWeek* magazine, which evaluated education opportunities and entrepreneurial climate, among other factors.

> Auburn was featured as a great place to live on the December 12, 2008, edition of NBC's *The Today Show*, which mentioned Auburn's "incredible schools" and its proximity to a number of outstanding golf courses.

The City's payments for principal and interest on debt in fiscal 2009 from the governmental funds were 18.6% of total expenditures. City management has established a goal of reducing debt repayment expenditures as a percentage of total expenditures to 10-12%.



Please contact the City Finance Department
at (334) 501-7220 with questions about
this financial report.