



# The City of Auburn, Alabama Popular Annual Financial Report

Fiscal Year Ending  
September 30, 2004

## INTRODUCTION

Auburn was founded in 1836 by Judge John J. Harper, who envisioned it as a religious, educational, and cultural center. The City was incorporated on February 2, 1839.

The City covers 52.9 square miles in the western part of Lee County in east central Alabama. Auburn, home to approximately 48,096 residents, is one of the fastest growing communities in Alabama and is the home of Auburn University, the state's largest land-grant university.

The City of Auburn operates under a Council-Manager form of government, with eight Council members elected on a non-partisan basis from four dual-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 & Sewer. These departments are staffed by approximately 390 regular, full-time employees.

## ABOUT THIS FINANCIAL REPORT

As part of our continuous effort to keep you informed how your tax dollars are being spent, we are pleased to present the 2004 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and was drawn from information found in the 2004 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Machen, McChesney & Chastain, LLP.

Unlike the CAFR, the PAFR is unaudited and presented on a non-GAAP basis. The GAAP basis presentation in the CAFR includes the City's component units and the presentation of individual funds, as well as full disclosure of all material events, financial and non-financial, in notes to the financial statements. Copies of the CAFR are available for public viewing at City Hall, the Public Library, and online at [www.auburnalabama.org/CAFR](http://www.auburnalabama.org/CAFR).

## MAJOR INITIATIVES

During fiscal 2004, the citizens' priorities of school funding, expansion of recreation facilities, solid waste effi-

ciency, and street improvements were addressed. The City contributed \$5.8 million from its General Fund to the Auburn Board of Education. The City Council amended the ordinance requiring that a 15-mill property tax equivalent be appropriated to the City Schools from the General Fund each year to provide for a 20-mill equivalent, effective fiscal 2004. This commitment places Auburn's municipal government among the highest in Alabama in terms of the level of local school support.

The City began the expansion of the Samford Sports Complex, continued work on Town Creek Park, and acquired additional solid waste collection equipment. The City allocated \$1 million for street resurfacing and expended just under \$500,000 on bikeway and sidewalk expansions and repairs.

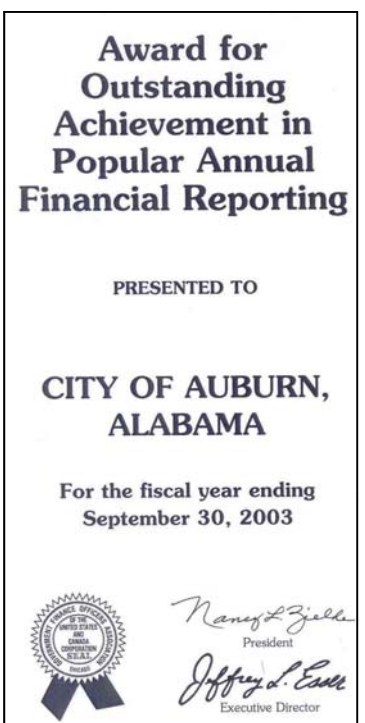
On July 1, 2004, the Auburn University Campus Police department merged with the City of Auburn Police Department. Now all law enforcement and public safety services for Auburn University property is handled by the City. This merger allows for more comprehensive and high quality public safety protection without duplication of services for residents and students living in Auburn.

## AWARDS

The City received the following awards from the Government Finance Officers Association (GFOA):

- Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2003 (eighteenth consecutive year).
- Distinguished Budget Presentation Award for the biennium beginning October 1, 2002.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2003.

Each of these awards is valid for a period of one year only. We believe our CAFR and PAFR continue to conform to the GFOA award program requirements and we have submitted both for review.



## FINANCIAL HIGHLIGHTS

- ◆ The City's *combined* net assets at September 30, 2004 totaled \$29.7 million.
- ◆ Total revenues for all governmental funds were \$54.6 million.
- ◆ Total spending for all governmental funds was \$53.8 million.
- ◆ The General Fund revenues totaled \$43.7 million.
- ◆ General Fund expenditures totaled \$40.9 million.
- ◆ Sewer Fund revenues totaled \$6.4 million.
- ◆ Spending in the Sewer fund totaled \$4.5 million.
- ◆ The City appropriated \$5.8 million from the General Fund to the Auburn Board of Education, an increase of 42% over the previous year.

## TYPES OF FUNDS

### GOVERNMENTAL FUNDS

Most City services and projects are accounted for in a general category referred to as Governmental Funds. These brief descriptions should provide you with a better understanding of the accounts.

- ◆ The **General Fund** accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds.
- ◆ **Special Revenue Funds** account for proceeds of specific revenue sources that are legally restricted for specific purposes (e.g. streets and schools).
- ◆ **Debt Services Funds** account for the payment of principal and interest on long-term debt. Revenues for these funds are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.
- ◆ **Capital Projects Funds** account for the financial resources used for the construction and/or acquisition of major capital facilities.

### PROPRIETARY FUNDS

Proprietary Funds account for activities the City operates similar to private businesses. The City of Auburn has two proprietary funds: the Sewer Revenue Fund and the Industrial Park Fund.

The PAFR focuses on the two funds of most interest to citizens: the General Fund and the Sewer Revenue Fund.

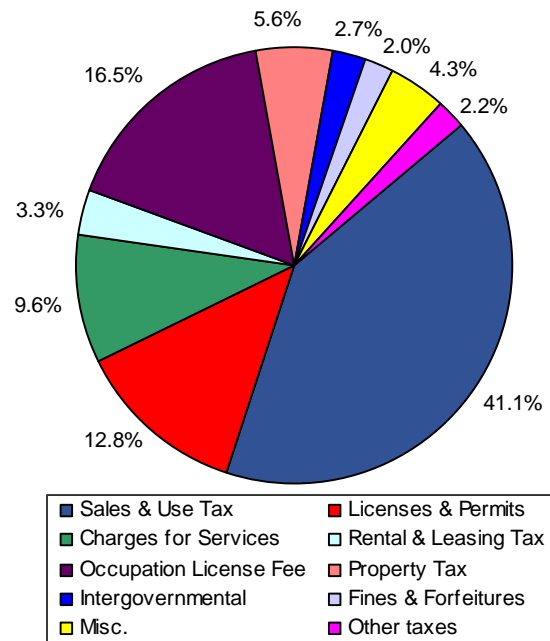
## THE GENERAL FUND

### FUND BALANCE

Fund balance is the excess of what the City owns (assets) over what the City owes (debts or liabilities). The Council has established a goal for maintaining the fund balance in the General Fund at not less than 6% of budgeted expenditures. The City has consistently exceeded this goal; the unreserved and undesignated fund balance at September 30, 2004 (\$17.1 million) stood at 41.7% of expenditures, an increase from 25% at the close of fiscal 2003. This significant increase in the unrestricted, undesignated fund balance resulted from the \$2.8 million excess of revenues over expenditures in the General Fund, as well as resources provided from borrowed funds that were converted to assets on a temporary basis. In addition, the Council has designated \$4.3 million of the General Fund balance as a Permanent Reserve for use only in the event of a natural disaster or severe economic downturn.

## GENERAL FUND REVENUES

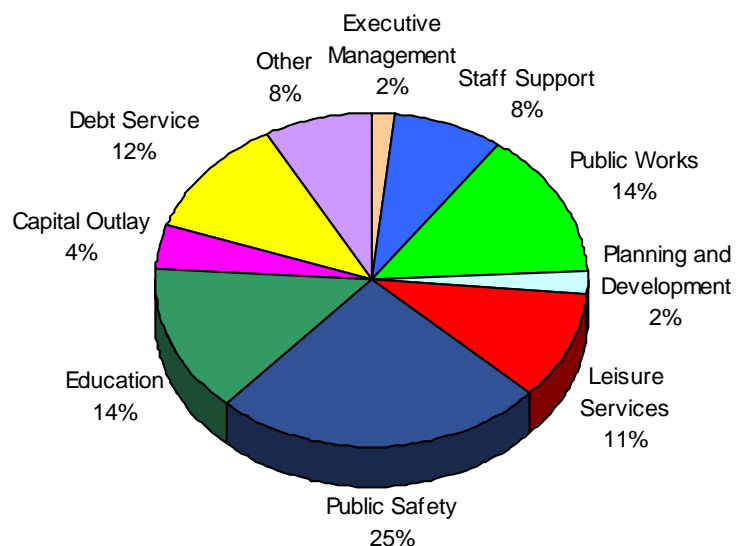
General fund revenues increased 21.4% over the previous fiscal year to \$43.7 million. A breakdown of the composition of the revenues is provided below:



Sales & Use tax revenue increased by \$3.4 million (↑ 23%) over FY 2003. This increase in the City's largest single revenue source was primarily the result of an increase in the City sales tax rate from 2.5% to 3.0%, effective August 1, 2003. Eliminating the effect of the rate increase, sales taxes increased 10.2% over the prior fiscal year. Auburn also saw similar growth in occupational license fees (↑29.5%), construction permits (↑ 38.5%), franchise fees (↑32.8%), and business licenses (↑12.9%). These revenue growth trends reflect the expanding population of the City of Auburn and its economic base.

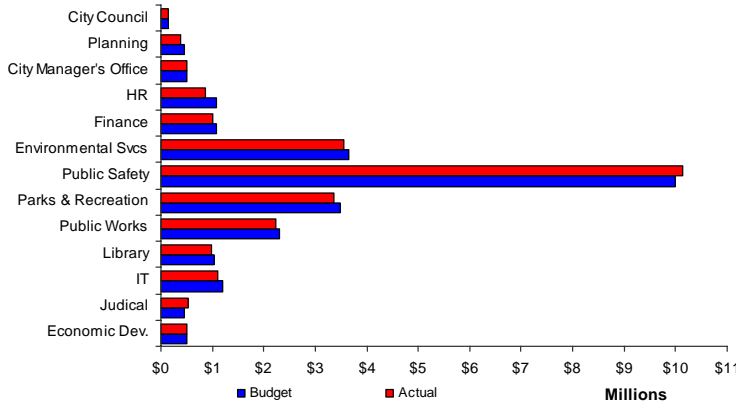
## GENERAL FUND EXPENDITURES

General fund expenditures totaled \$40.9 million; \$7.7 million under final budget. Expenditures in the General Fund increased 11.3% over the previous fiscal year. The following chart details the way resources from the General Fund were used:



Total General Fund operating expenditures for all departments were under final budget by \$602,657. This favorable result is typical for Auburn and results from management's active use of the budget to control expenditures. All departments, except Public Safety and Judicial, came in under final budget.

City Departments Show Controlled Spending



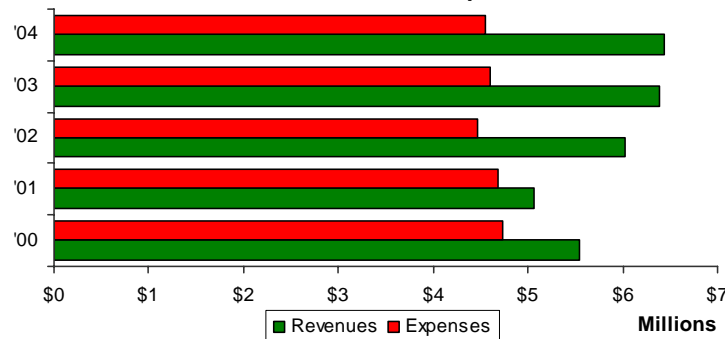
Debt service expenditures of \$4.8 million were over the final budget by 35% due to interest and principal paid on two new warrants issued late in December of 2003. Capital outlay expenditures were significantly under budget (\$1.7 million and 51.6% under budget) due to delays in approval from the State of Alabama Department of Transportation on various infrastructure projects.

The City issued two general obligation warrants totaling \$8.3 million in December 2003. This debt will finance road reconstruction and improvements, renovations and expansions of recreational facilities, construction of sidewalks and bikeways, the purchase of solid waste collection equipment, and the acquisition of financial management software.

### THE SEWER REVENUE FUND

The City's Sewer Revenue Fund has experienced steady revenue and net income growth in response to the expanding customer base. Late in FY 01, the City deprivatized the wastewater treatment plants to enable the expansion of treatment capacity. As a result of the change in ownership, operating cost has decreased while depreciation and interest expense has increased. Sewer fund operating revenues increased 2% in fiscal 2004, while operating expenses increased 0.8%. The Sewer Fund also defrays expenses each year through developer contributions of installed sewer lines. In fiscal 2004, this non-cash contribution was valued at \$900,675.

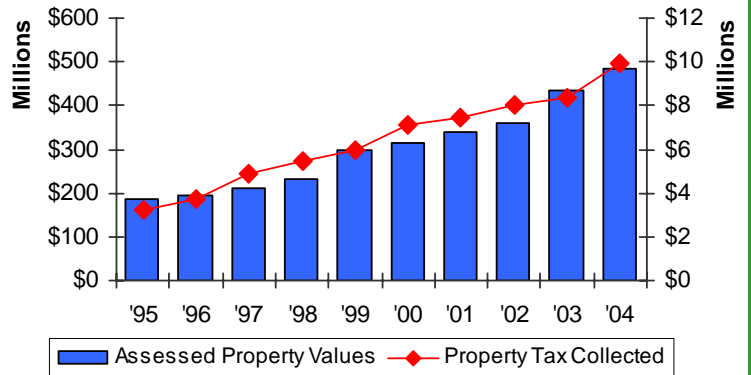
Sewer Revenues and Expenses



### ECONOMIC GROWTH

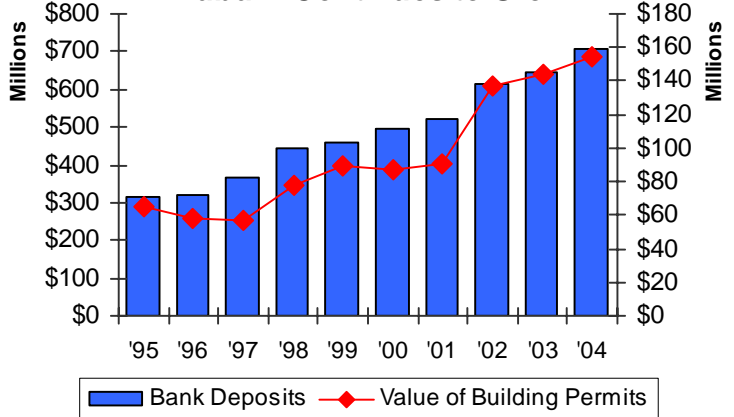
Auburn's growth is the main contributor to the increase in assessed property values within the City. Other factors include higher median income levels, a well-respected school system, and planned growth, which allows proper zoning to protect property values. The City's economic development efforts have been effective. A \$40 million expansion of Colonial University Village retail shopping mall was completed in fiscal 2004. New national retailers and small shop tenants will continue to be announced in 2005.

City of Auburn Property Values and Tax Collections for the Past Ten Years



The strength of the City's growth is illustrated by the growth in building permits. The number of building permits issued for single-family detached homes has grown 113% from fiscal 1999. The chart below shows the increases in building permit valuations and in bank deposits within the City for the last 10 years.

Auburn Continues to Grow



### BOND RATING

The City received its most recent bond ratings in March 2005. The City's rating from Moody's Investor's Service is Aa3; Standard & Poor's rated the City AA-. The "double A" rating is reserved for organizations characterized by competent management, stable economies, and manageable debt levels. Together with bonds rated triple A, they comprise what are generally known as investment grade bonds. An obligor rated "double A" is judged to have a very strong capacity to meet its financial commitments.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

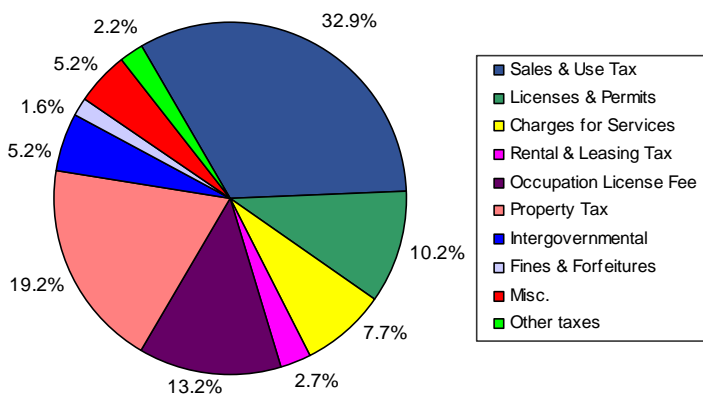
At September 30, 2004, the City's governmental funds reported a combined fund balance of \$43.5 million, \$16.9 million above last year. This large increase in fund balance is attributable to large cash balances in capital projects funds reflecting money borrowed to finance capital projects that have not yet been spent.

These financial activities comprise the major changes in governmental fund balances:

### GOVERNMENTAL REVENUES

- ◆ Total revenues of the governmental funds showed growth of 6.6% and \$2.8 million over the prior year.
- ◆ Occupation license fees produced \$576,436 in additional revenue. This is the result of expending payrolls from newly established and growth of existing businesses in Auburn.
- ◆ General property tax revenues improved 4.5%, contributing additional revenue of \$378,200 to the governmental funds. Growth in property taxes results from expansion of the city limits through voluntary annexations, as well as improvements in property values, attributable in part to new construction and improvements.

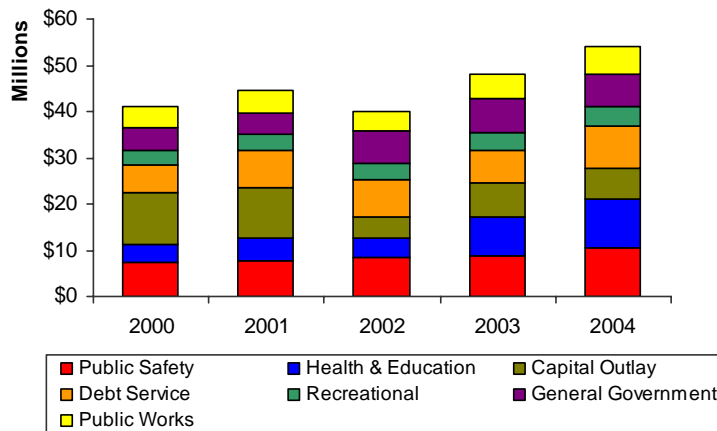
**FY 2004 Governmental Funds Revenues**



### GOVERNMENTAL EXPENDITURES

The City of Auburn's governmental funds' spending in fiscal 2003 reflects the priorities set by the Council based on the Annual Citizen Survey results. As the chart below demonstrates, the City has maintained its high funding level for Health & Education activities.

**Five Year Expenditure Comparison**

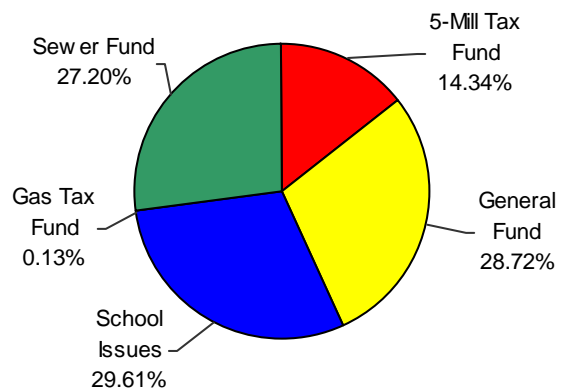


### LONG-TERM DEBT

At 2004 fiscal year-end, the City had \$110.9 million in long-term debt outstanding, of which \$9 million will mature during fiscal 2005. The net increase in long-term debt from the previous year was \$10.5 million or 10.5%. The City's long-term debt is comprised of bonds, warrants, notes and capital leases payable.

General obligation debt is payable from the City's general revenues (the General Fund). Some long-term debt is payable from legally restricted revenue sources, such as the City debt issued to provide financing for the City Schools, which is payable from property taxes dedicated for education purposes. In addition, the City levies a property tax, the Special Five-Mill Tax, which is legally restricted for repaying debt issued to finance projects that have been approved by the voters. The ratio of debt service to general expenditures is 16.16%, considered an average ratio for a city of our size. The following chart illustrates the various funding sources for the repayment of the City's long-term debt.

**Funding Sources for Long-Term Debt**



### Mission Statement

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

- Encouraging planned and managed growth as a means of developing an attractive built environment and protecting and conserving our natural resources
- Creating diverse employment opportunities leading to an increased tax base
- Providing and maintaining reliable and appropriate infrastructure
- Providing and promoting quality housing, educational, cultural, and recreational opportunities
- Providing quality public safety services
- Operating an adequately funded city government in a financially responsible and fiscally sound matter
- Recruiting and maintaining a highly motivated workforce committed to excellence
- Facilitating citizen involvement

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