Auburn Continues to Grow

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 A+. 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.

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

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, an award-winning school system, and planned growth, which allows proper zoning to protect property values. The City’s economic development efforts have been highly effective. In 2005, the Auburn Technology Park North (ATPN) continued its industrial growth with the addition of three new manufacturing facilities. The industrial sector is the nation’s largest manufacturing and street renewal project, and the City 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’s rating from Moody’s Investor’s Service is Aa3; Standard & Poor’s rated the City A+. 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.

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 55.4 square miles in the western part of Lee County in east central Alabama. Auburn, home to approximately 150,000 people, 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 currently 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 Resource Management. These departments are staffed by approximately 400 regular, full-time employees.

ABOUT THIS FINANCIAL REPORT

As part of our continuous effort to keep you informed of how your tax dollars are being spent, we are pleased to present the 2005 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City’s governmental and proprietary funds and was drawn from information found in the 2005 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conjunction with generally accepted accounting principles (GAAP) and includes financial statements audited by Machen, McClesney & Chad, LLP. Unlike the CAFR, the PAFR is unaudited and presented on a non-GAAP basis. The CAFR and PAFR are available to the public at City Hall, the Public Library, and on our website auburnalabama.com. The City’s mission 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:

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- Facilitating citizen involvement

Please contact the Finance Department at (334) 501-7220 with questions about this financial report.
FINANCIAL ANALYSIS OF THE CITY’S FUNDS

FINANCIAL HIGHLIGHTS
• The City’s combined net assets at September 30, 2005 totaled $5.95 million.
• Total governmental expenditures increased by $58.2 million (108.1%) in fiscal 2005 from fiscal 2004. The major components of this increase in governmental expenditures include:
  • A borrowing of $33 million occurred in July 2005, the proceeds of which were appropriated to the Board of Education for construction and repairs to school facilities located in Auburn. This increased payments to component units by $33.7 million or 323.8%.
  • Major capital outlay expenditures in fiscal year 2005 include construction of a new cemetery and passive park ($1.5 million) to be completed in fiscal 2006, renovations and upgrades to two of the City’s sports complexes ($1.3 million), and reconstruction of roads and intersection improvements at over $1 million. There was also resurfacing work performed in low and moderate-income areas ($416,992) as well as the purchase of public safety and environmental services specialty vehicles ($223,552).
  • Debt service increased dramatically from fiscal year 2004 due to the payoff of a line of credit originally issued for infrastructure projects for both the City and Industrial Development Board.

GOVERNMENTAL FUNDS’ FINANCIAL ACTIVITIES
At September 30, 2005, the City’s governmental funds reported a combined fund balance of $43.4 million, a slight decrease from the previous year. These financial activities comprise the major changes in governmental fund balances:

GOVERNMENTAL REVENUES
Total revenues of the governmental funds showed growth of 4.4% or $2.4 million over the prior year.
• Sales and use tax revenue increased by 2.6% over fiscal year 2004. The sales tax rate remained unchanged from the prior year at 3%, with the last rate increase occurring in 2003.
• Charges for services increased by 51.8% or $2.1 million during fiscal year 2005. This increase is due in part to public safety charges to Auburn University increasing by more than $1 million during fiscal year 2005, solid waste fees increasing by more than $150,000 due to a larger consumer base resulting from the City’s growth, and public safety fees for providing security services for businesses and schools increasing by approximately $145,000. Fiscal 2005 was the first full fiscal year in which the City provided public safety services to Auburn University.
• General property tax revenues increased 15.7%, contributing additional revenue of $1.6 million to the governmental funds. Growth in property taxes results from expansion of the city limits through voluntary annexations, as well as increases in property values, attributable in part to new construction and rising property values.

GOVERNMENTAL EXPENDITURES
The City of Auburn’s governmental funds’ spending in fiscal 2005 reflects the priorities set by the Council based on the Annual Citizen Survey results. The City has maintained its high funding level for health and education activities.

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 provide basic information about these fund types.
• 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 Service Funds account for the accumulated resources for, and the payment of, general long-term debt principal, interest, and related costs.
• 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.

FIDUCIARY FUNDS
Fiduciary funds statements convey information about financial relationships in which the City acts solely as a trustee for the benefit of others. The City of Auburn reports revenues and expenditures of independent associations associated with supporting youth athletic programs in private-purpose trust funds. The PAFFR focuses on the City’s two largest funds, which are of most interest to citizens: the General Fund and the Sewer Revenue Fund.

LONG-TERM DEBT
At 2005 fiscal year-end, the City had $146.6 million in long-term debt outstanding, of which $6 million will mature during fiscal 2006. The net increase in long-term debt from the previous year was $35.6 million or 32.1%. The City’s long-term debt is comprised of bonds, warrants, notes and capital leases payable.

The 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 7.7%, excluding payments on two lines of credit that were replaced with permanent financing. The following chart illustrates the various funding sources for the repayment of the City’s long-term debt.