America Fuel Systems, LLC, Cumberland Plastic Systems, LLC, Cylpro Auburn, Inc., and Aluminum Technology Schmid. Infrastructure improvements are also underway at Auburn’s Exit 57 to make way for a new 135,000 square foot Sam’s Club, in addition to other restaurants and retailers.

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.

<table>
<thead>
<tr>
<th>Bond Rating</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>AA</td>
<td>$1,000</td>
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<tr>
<td>A</td>
<td>$1,000</td>
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<td>$1,000</td>
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</tbody>
</table>

The City currently owns two wastewater treatment plants which are operated by Veolia Water. The financial activities and assets are recorded in the Sewer Revenue Fund, an enterprise fund. The City’s Sewer Revenue Fund has experienced steady revenue and net income growth in response to the expanding customer base. The Sewer Fund generated an operating income of $1.4 million in fiscal 2006. After non-operating revenues and expenses, the income before operating transfers and capital contributions was $365,864.

Auburn Continues to Grow

The City received its most recent bond ratings in December 2006. The City received an upgrade from Standard & Poor’s to AA from AA-. Moody’s Investors Service confirmed the City’s general obligation bond rating of Aa3. 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 a means of developing an attractive built environment and protecting and conserving our natural resources
- Creating diverse employment opportunities leading to an expanded 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
- Facilitating citizen involvement

The City of Auburn, Alabama

**Popular Annual Financial Report**

Fiscal Year Ending September 30, 2006

**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 56.05 square miles in the western part of Lee County. Auburn, Alabama, home to approximately 49,928 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 currently operates under a Council-Manager form of government, with eight Council members elected on a non-partisan basis 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. 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 City of Auburn’s 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 2006 Comprehensive Annual Financial Report (CAFR). Unlike the CAFR, the PAFR is unaudited and presented on a non-GAAP basis. The GAAP basis presentation in the CAFR includes general accepted accounting principles (GAAP) and includes financial statements audited by Machen, McCutney, Lee & Co. 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 independent transactions, 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 review at City Hall, the Public Library, and online at www.auburnalabama.org/CAFR.

**Major Initiatives**

During fiscal 2006, the citizens’ priorities of school funding, expansion of recreation facilities, construction of industrial infrastructure and traffic flow management were addressed. The City contributed $6.8 million from its General Fund to the Auburn Board of Education. The City Council amended the ordinance requiring that a 20-mill property tax equivalent be appropriated to the City Schools from the General Fund each year to provide for an appropriation equivalent to 13% of General Fund revenues. This commitment places Auburn’s municipal government among the highest in Alabama in terms of the level of local school support.

There were three debt issuances by the City to finance construction of the infrastructure improvements in the Auburn Research Park. On September 22, 2006, the City issued a $3,700,000 general obligation warrant to provide financing for the Auburn Tennis Center, which is scheduled for completion during fiscal year 2007. The City, Auburn University and the Auburn Research and Technology Foundation, with financial support from the State of Alabama and the City of Auburn, to develop a research park. This park will enhance and promote economic development within the region and state, and broaden the research industry in east Alabama. More information about the research park can be found at http://www.researchpark.auburn.edu.

**Awards**

The City received the following awards from the Government Finance Officers Association (GFOA) in 2006:

- Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2005 (sixteenth consecutive year)
- Distinguished Budget Presentation for the year ending September 30, 2004
- Recognition for Excellence in Financial Reporting for the year ended September 30, 2003 (twentieth consecutive year)
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2003
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2002

The CAFR and PAFR awards are 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.
State law limits the amount of general obligation debt the City's corporations. The outstanding debt applicable to this limit is $64.4 million, resulting in a legal debt margin of $34.6 million.

At September 30, 2006, the City's governmental funds reported a combined fund balance of $49.6 million, a 14% increase from the previous year. These financial activities comprise the major changes in governmental fund balances:

- The General Fund revenues totaled $50.3 million. Borrowing and transfers provided additional resources of $1.1 million.
- General Fund expenditures totaled $51.2 million. Spending in the General Fund totaled $47.4 million.
- The City appropriated $6.8 million from the General Fund to the Auburn Board of Education.

At the end of fiscal 2006, the total fund balance of the General Fund at not less than 20% of budgeted expenditures and other financing uses. The City has consistently exceeded this goal; the total fund balance at September 30, 2006, stood at 51% of budgeted expenditures. In addition to the unrestricted, undesignated fund balance, the General Fund balance includes $4.6 million designated by the Council for use only in the event of natural disaster or significant, unprojected economic downturn.

At the end of fiscal 2006, the total fund balance of the General Fund increased by $447,386 (1.6%) from the prior year's ending fund balance. The increase in receivables by $1.0 million led an overall upward trend in the General Fund balance. A change in the residential and commercial rental business license collection schedule, from quarterly to annually, resulted in a year-end receivables accrual of approximately $772,000. Revenues and other financing sources over expenditures and other financing uses increased fund balance by $447,385. Deferred revenue also increased by $681,954 due to delayed availability of revenue receivable for residential and commercial rental business license fees. These changes, together with other smaller changes in the components of assets and liabilities, produced an ending fund balance in the General Fund of $27.8 million.

At 2006 fiscal year-end, the City had $155.2 million in long-term debt outstanding, of which $7.1 million will mature during fiscal 2007. The net increase in long-term debt from the previous year was $8.6 million or 5.9%. The City's long-term debt is comprised of bonds, warrants and notes 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 or issuing funds to projects that have been approved by the voters. The ratio of debt service to general revenues is 12.4%, 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.