



City of Auburn

# City of Auburn, Alabama Popular Annual Financial Report

Fiscal Year Ending September 30, 2007

## 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 2007 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 2007 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 2007, the priorities of school funding, recreation facility construction, street construction, traffic flow management, and commercial infrastructure construction were addressed. The City contributed \$6.8 million from its General Fund to the Auburn Board of Education, maintaining a commitment that ranks the municipal government among the highest in Alabama in terms of the level of local school support.

During fiscal year 2007, there were two debt issuances that will permit significant improvements to be made to the City's infrastructure and will provide a higher quality of life to its citizens.

On January 1, 2007, the City issued \$5.2 million general obligation bonds to finance certain capital projects of the City. These projects include construction of a new tennis center and expansion of the City library.



The Yarbrough Tennis Center opened in July 2007. There are 16 outdoor clay courts, 12 outdoor hard courts with stadium seating, and 6 indoor courts. The center also has a clubhouse with pro shop, men's and women's locker rooms, a concessions area and a meeting area.

Construction began in September 2007 on the 10,000 square foot expansion of the Public Library. This addition will accommodate the growing number of patrons and will house Youth Services, additional public computers, and two offices. The expansion is expected to be complete in

early summer 2008.

In March 2007, the City opened a \$7 million line of credit to provide financing for the design and construction of infrastructure around the intersection of I-85, Glenn Avenue and Bent Creek Road. This infrastructure will facilitate the construction of a major commercial development, including a warehouse club super-center. Subsequent to September 30, 2007, the City increased the line of credit by \$1.8 million for a total of \$8.8 million. The City plans to permanently finance this line of credit in fiscal 2008.

Construction of a fifth fire station began in fiscal 2007 at a cost of approximately \$1 million. The fire station is expected to be open in early fiscal 2008.



## THE CITY OF AUBURN

Auburn was founded in 1836 (incorporated in 1839) by Judge John J. Harper, who envisioned it as a religious, educational, and cultural center.

The City covers 55.92 square miles in east central Alabama. Auburn, home to approximately 51,906 residents, is one of the fastest growing communities in Alabama and is the home of Auburn University.

The City of Auburn cur-

rently 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 depart-

ments 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.

# City of Auburn, Alabama

## FINANCIAL HIGHLIGHTS

The assets of the City of Auburn exceeded its liabilities at the close of the fiscal year by \$37.7 million (net assets). Of this amount, the City had a deficit unrestricted net assets of \$42.1 million offset by \$8.6 million in restricted net assets and \$71.2 million in capital assets net of related debt.

The primary government experienced a 243.2% increase in net assets from \$10.9 million at September 30, 2006 to \$37.7 million at September 30, 2007.

At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$14.8 million, or 24.02% of total General Fund expenditures. This was an increase of \$985,061 or 7.1% from fiscal year 2006.

Sales and use tax, the City's single largest revenue source, increased 4.9% during the 2007 fiscal year. The City's sales tax rate remained at 3% throughout fiscal year 2007. The last rate change was a ½ % increase in August 2003.

### BOND RATING

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. As with bonds rated triple A, a double A obligor is judged to have a very strong capacity to meet its financial commitments.

## TYPES OF 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 the governmental 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 accumulation of 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.

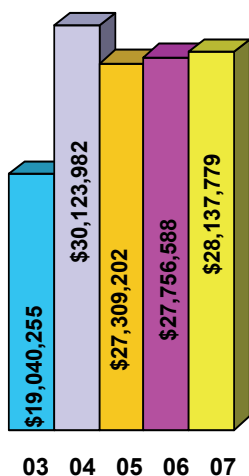
**Proprietary funds** account for activities the City operates in a manner similar to private businesses. The City of Auburn has two proprietary funds: the Sewer Revenue Fund and the Industrial Park Fund, both of which are Enterprise Funds.

**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 PAFR focuses on the City's two largest funds, which are of most interest to citizens: the General Fund the Sewer Revenue Fund.

## FUND BALANCE OF THE GENERAL FUND

General 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 20% of budgeted expenditures and other financing uses. The City has consistently exceeded this goal; the total fund balance at September 30, 2007, stood at 46% of 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 2007, the total fund balance of the General Fund increased \$381,191 (1.4%) from the prior year's ending fund balance. The most notable change within fund balance was a reduction in encumbrances of \$1.4 million (66.2%); this was caused by a decrease in signed construction contracts (\$1.8 mil-

lion at the end of fiscal year 2006 as opposed to only \$444,363 in construction contract commitments at the end of fiscal year 2007). A decrease in cash of \$944,406 (5.5%) was produced by differences in the timing of revenues and expenses between years. These changes, together with other smaller changes in the components of assets and liabilities, produced an ending fund balance in the General Fund of \$28.1 million.

# GOVERNMENTAL FUNDS' FINANCIAL ACTIVITIES

At September 30, 2007, the City's governmental funds reported a combined fund balance of \$46.1 million, a \$3.6 million decrease from the prior year. These financial activities comprise the major changes in governmental fund balances:

## GOVERNMENTAL REVENUES

Total revenues of the governmental funds, excluding other financing sources, showed growth of 11.2% or \$7.1 million over the prior year.

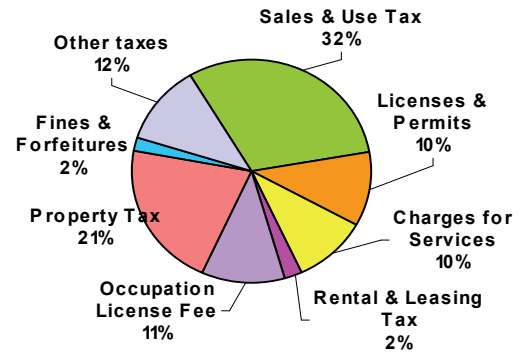
—Sales and use tax revenue increased by 4.9% during the 2007 fiscal year. The sales tax rate remained at 3%, with the last rate increase occurring in 2003.

—Lodging taxes increased by 26.2% (\$284,210) in fiscal year 2007. This growth resulted, in part, from a rate increase in lodging taxes from 4% to 7%, effective February 1, 2006. With the influx of visitors to City and Auburn University events, the City utilizes this

increase in taxes to fund the extra services required by the added transient population.

—Rental and leasing taxes increased by 79.7% (\$653,430). Although some of this represents growth, this line item includes residential rental license fees, for which the payment schedule was changed from quarterly to annually, effective January 1, 2006.

—General property tax revenues improved 15.0%, contributing additional revenue of \$1.9 million to the governmental funds. Growth in property taxes results from expansion of the city limits through voluntary annexations, as well as appreciation in property values, attributable in part to new construction and improvements.



Education and provide additional funds for operating expenses of the school system. This year the Board drew \$5.8 million for operations, an increase of \$2.6 million or 81.9%.

—The City borrowed \$7 million for commercial development activities. This amount was appropriated to the Commercial Development Authority, a component unit of the City of Auburn, to construct and improve infrastructure around a new commercial center designed to serve Auburn citizens.

—The City of Auburn entered into two borrowings, \$3.7 million (Auburn University) and \$2.7 million (City of Auburn) to fund the construction of a tennis facility. Construction and now ownership and management of the facility are under the oversight of the Public Park and Recreation Board (PPRB). The 2007 portion of these transfers plus some operating costs make up the increase of \$6 million in transfers to the PPRB.

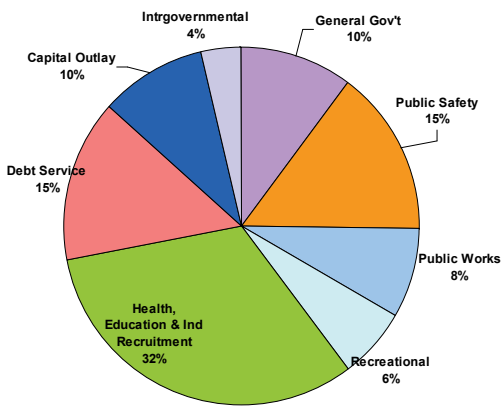
## GOVERNMENTAL EXPENDITURES

The City of Auburn's governmental funds' spending in fiscal 2006 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.

Total governmental expenditures increased by \$14.1 million (19.6%) in fiscal 2007 from fiscal 2006. The major components of this increase in governmental expenditures was the rise in payments to component units by \$14.8 million:

—The City appropriated \$6.8 million out of its general revenue to the Auburn City Schools for fiscal year 2007, as in 2006.

—In addition to the City's General Fund providing support to the schools, the Board elects to draw additional operating revenue from the dedicated education property taxes each year. These taxes pay for all debt service issued by the City on behalf of the Auburn Board of



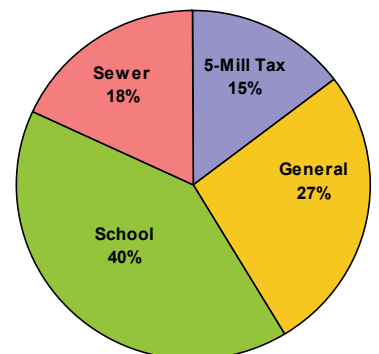
<i>Paid to component units:</i>	<u>FY 2007</u>
General revenues provided to City Schools	\$ 6,795,523
Education property taxes distributed to City Schools	5,830,120
Comm Dev Authority	7,005,300
Public Park & Rec Brd	6,166,754
Industrial Development Board	2,098,003
<b>Total - Component Units</b>	<b>\$ 27,895,700</b>

## LONG-TERM DEBT

At 2007 fiscal year-end, the City had \$158.9 million in long-term debt outstanding, of which \$14.2 million will mature during fiscal 2008. The net increase in long-term debt from the previous year was \$3.8 million or 2.4%. General obligation debt is payable from the City's general revenues (the General

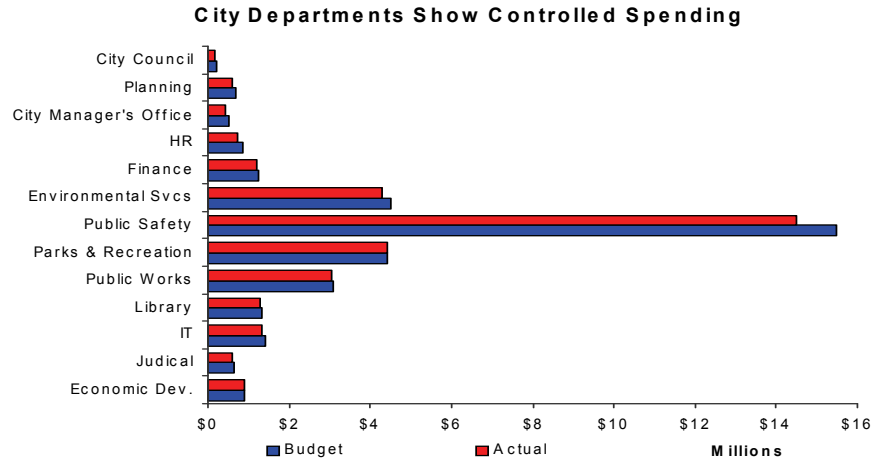
Fund). Some long-term debt is payable from legally restricted revenue sources, such as the City debt issued to provide financing for the City Schools, which is payable from property taxed dedicated for education purposes. In addition, the City levies a property tax, the Special Five-Mill Tax, which is le-

gally restricted for repaying debt issued to finance projects that have been approved by the voters. The percentage of debt service to total expenditures for 2007 is 10.22%. The following chart illustrates the various funding sources for the repayment of the City's long-term debt.



# City of Auburn, Alabama

## GENERAL FUND DEPARTMENTAL EXPENSES



General Fund departmental expenditures totaled \$31.9 million, a 5.3% increase over the prior year and \$1.7 million under final budget. This favorable result is typical for Auburn and results from management's active use of the budget to control expenditures. All departments came in under final budget.

### Mission Statement

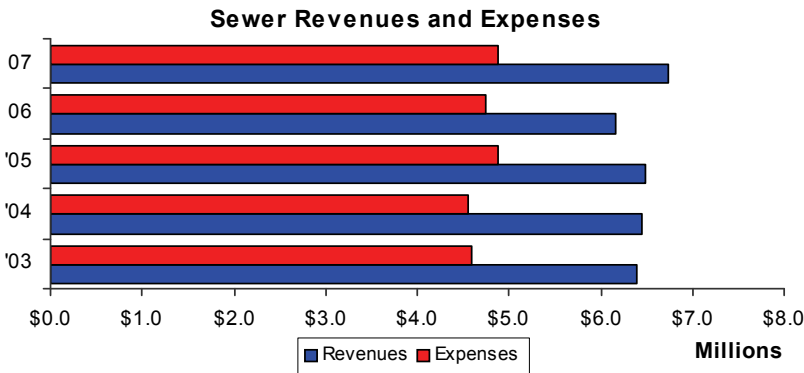
*The mission of the City of Auburn is to provide economical delivery of quality services created and designed in response to the needs of its citizens rather than by habit or tradition.*

### FINANCIAL REPORTING AWARDS

The City received the following awards from the Government Finance Officers Association (GFOA) in 2007:

- Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2006 (twenty-first consecutive year).
- Distinguished Budget Presentation Award for the biennium beginning October 1, 2006.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended September 30, 2006.

## THE SEWER REVENUE FUND



The City currently owns two wastewater treatment plants which are operated by Veolia Water. The financial activities 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 \$1.8 million in fiscal 2007. After non-operating revenues and expenses, the income before operating transfers and capital contributions was \$863,457.

The Sewer Fund net assets also increase each year through developer contributions of installed sewer lines. In fiscal 2007, this non-cash contribution was valued at \$2.96 million.

## ECONOMIC DEVELOPMENT

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. Construction of Auburn Technology Park West is underway, with plans to locate the first tenant in the Park by late 2008. In addition, the City is partnering with Auburn University and the State of Alabama to con-

struct a University-based research park. In the summer of 2007, the City of Auburn and Auburn University announced that Northrop Grumman Corporation would be the first tenant in the Auburn Research Park. Company officials have temporarily located their offices in the Auburn Center for Developing Industries. Construction of the first building in the Research Park, and the future home of one of Northrop Grumman Corporation's National Work Force Centers, is in progress.



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