



# The City of Auburn, Alabama

## Popular Annual Financial Report

Fiscal Year Ending  
September 30, 2003

### 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 49.5 square miles in the western part of Lee County in east central Alabama. Auburn, home to approximately 46,032 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 370 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 2003 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 2003 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 pub-

lic viewing at City Hall, the Public Library, and online at [www.auburnalabama.org/CAFR](http://www.auburnalabama.org/CAFR).

### MAJOR INITIATIVES

During fiscal 2003, the citizens' priorities of school funding, public safety, employee pay raises, expansion of recreation facilities, and street improvements were addressed. The City contributed \$4.1 million from its General Fund to the Auburn Board of Education. Public Safety spending was increased by 3.69%. The City allocated \$1 million to street resurfacing.

The City Council approved a 1/2% sales tax increase which began on August 1, 2003. This increase was passed primarily to provide the equivalent of 20 mills of General Fund property tax to the City Schools.

In 2003, the City's CAFR was prepared using important new accounting and financial reporting rules issued by the Governmental Accounting Standards Board (GASB). The City followed these new rules, required by GASB Statement No. 34, for the first time in the 2003 CAFR. The major changes resulting from the new rules included additional financial statements prepared using accounting similar to businesses and a new report that analyzes the most significant changes in the City's finances during the year.

### 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, 2002 (seventeenth 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, 2002.

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.

**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

PRESENTED TO

**CITY OF AUBURN,  
ALABAMA**

For the fiscal year ending  
September 30, 2002



*Edward H. ...*  
President  
*Jeffrey L. ...*  
Executive Director

## FINANCIAL HIGHLIGHTS

- ◆ The City's *combined* net assets at September 30, 2003 totaled \$18.8 million.
- ◆ Total revenues for all governmental funds were \$45 million.
- ◆ Total spending for all governmental funds was \$48 million.
- ◆ The General Fund revenues totaled \$36 million.
- ◆ Expenditures in the General Fund totaled \$36.7 million.
- ◆ Sewer Fund revenues totaled \$6.4 million.
- ◆ Spending in the Sewer fund totaled \$4.6 million.
- ◆ The City appropriated \$4.1 million from the General Fund to the Auburn Board of Education, an increase of 5% 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.

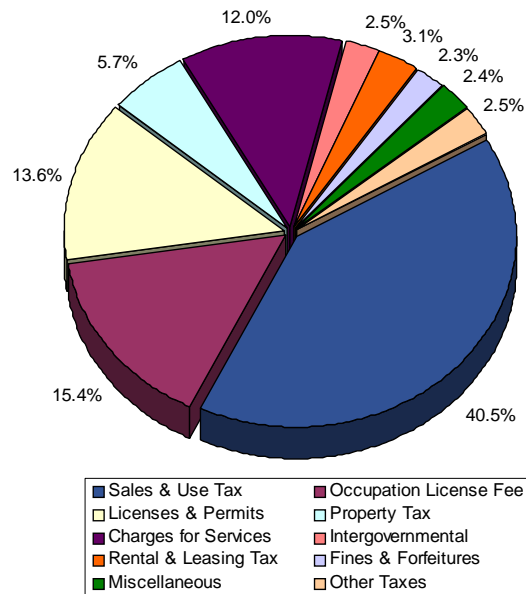
## THE GENERAL FUND

### 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, 2003 (\$9.2 million) stood at 25% of expenditures. In addition, the Council has designated \$4.2 million of the General Fund balance as a Permanent Reserve Fund for use only in the event of a natural disaster or other catastrophic event.

## GENERAL FUND REVENUES

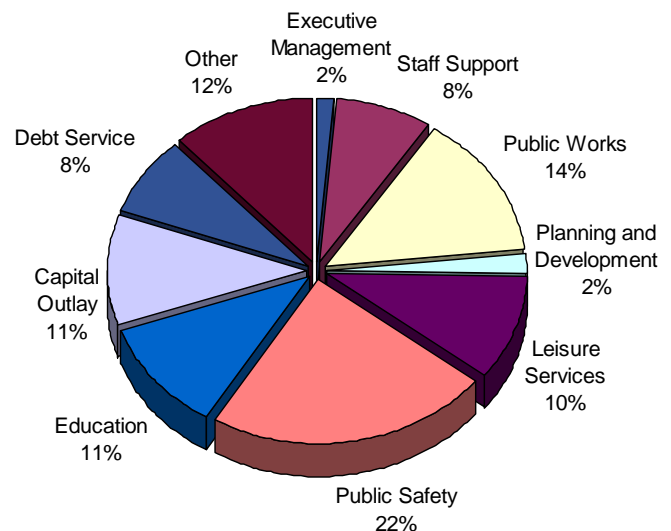
General fund revenues increased 6.86% over the previous fiscal year to \$36.0 million. A breakdown of the composition of the revenues is provided below.



Sales & Use tax revenue increased by \$1.43 million (↑11%) over FY 2002. This increase in the City's largest single revenue source was primarily the result of population growth and expanded retail sales. Another important factor was 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 6.8% over the prior fiscal year. Auburn also saw similar growth in occupational license fees (↑11.6%), lodging taxes (↑13.0%) and rental and leasing tax (↑22.1%). These revenue growth trends reflect the expanding population of the City of Auburn and its economic base.

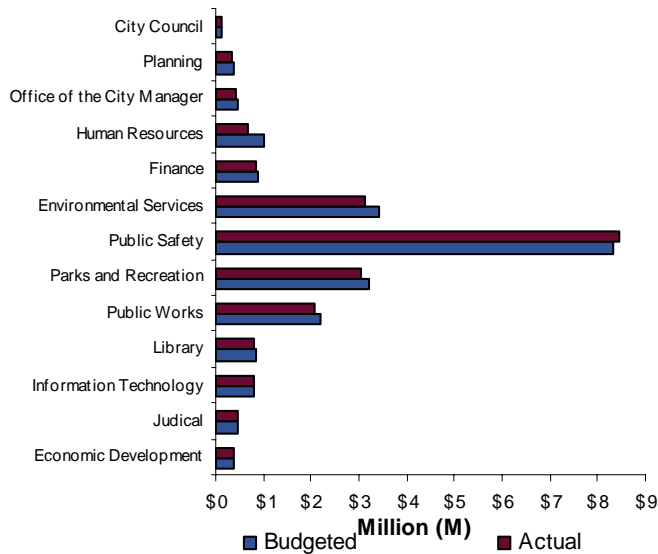
## GENERAL FUND EXPENDITURES

General fund expenditures totaled \$36.8 million; \$2.7 million under budget. The following chart details the way resources from the General Fund were used:



Total General Fund operating expenditures for all departments were under budget by \$958,963. 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 Economic Development, came in under final budget.

### City Departments Show Controlled Spending

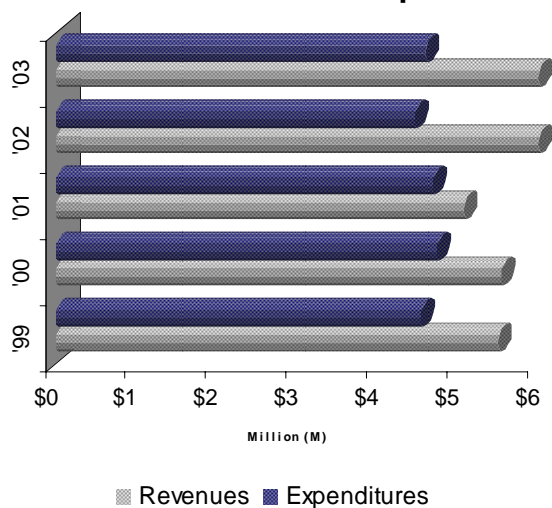


Debt service expenditures of \$2.4 million were over the final budget by 15.8% due to interest paid on a line of credit opened late in the fiscal year. Capital outlay expenditures were significantly under budget (\$1.8 million and 31.3% under budget) due to delays in approval from the State of Alabama Department of Transportation on various infrastructure projects.

### 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.

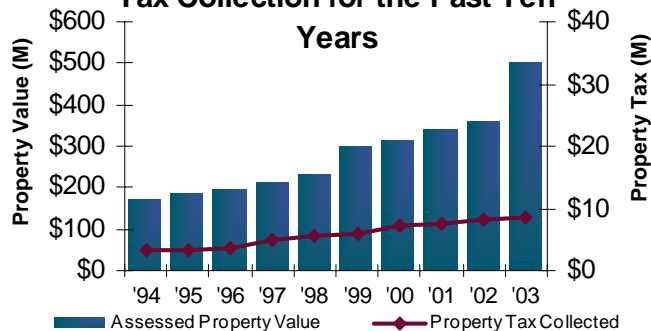
### Sewer Revenue and Expenses



### ECONOMIC GROWTH

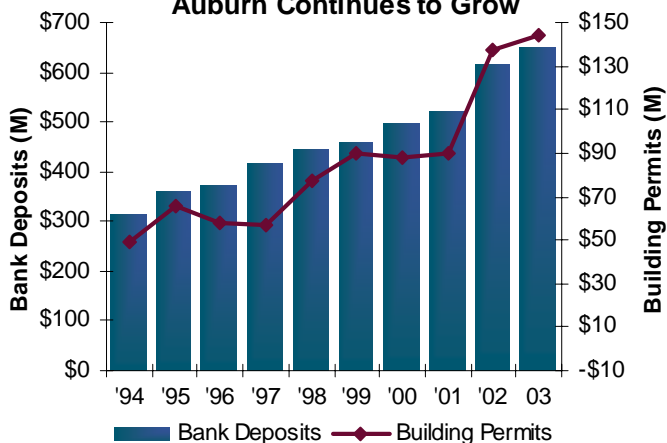
Auburn's growth is the main contributor to the increase in assessed property values within the City. Other factors include higher median income levels, a well-respected school system, and planned growth, which allows proper zoning to protect property values.

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



The strength of the City's growth is illustrated by the growth in building permits. 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 rating in August 2002. 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. With bond issuances planned during fiscal 2004, the City will be requesting a review of these ratings from both national rating agencies.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

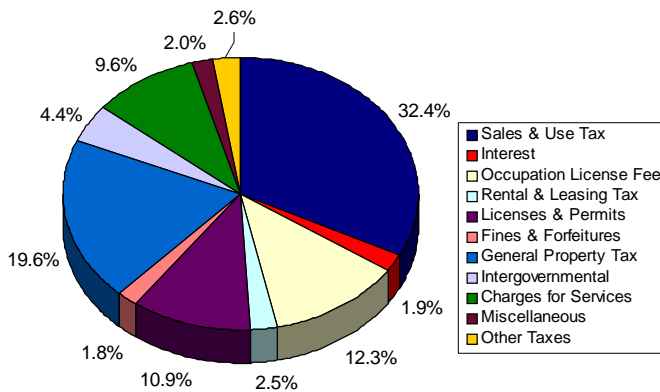
At September 30, 2003, the City's governmental funds reported a combined fund balance of \$26.5 million, 2.3% and \$598,954 above last year.

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.

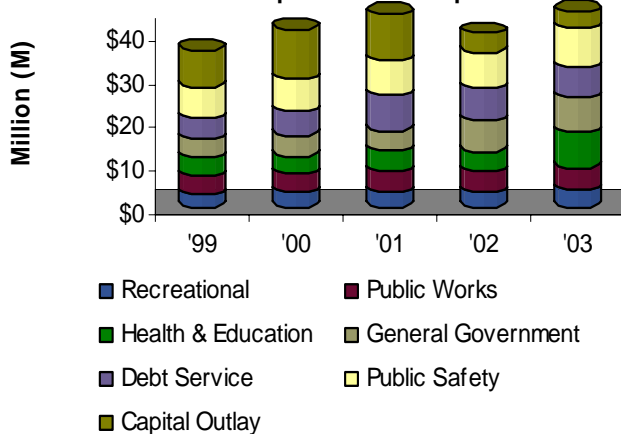
**FY 2003 Governmental Funds Revenues**



### 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**

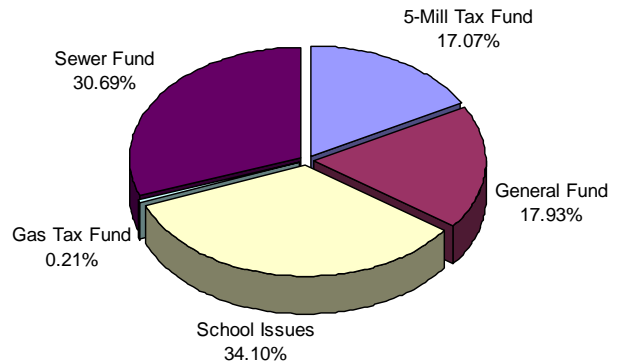


### LONG-TERM DEBT

At 2003 fiscal year-end, the City had \$98.7 million in long-term debt outstanding., of which \$5 million will mature during fiscal 2004. The net increase in long-term debt from the previous year was \$1.6 million or 1.6%. 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 14.26%, 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.**