

Quarterly Financial Report
For Quarter Ending 06/30/07 (Final/Post-Audit Year End)

November 20, 2007

OVERVIEW

The on-site work for the City's financial audit for fiscal year 06-07 is now complete. City Finance staff spends a great deal of time preparing all of the accrual information for the annual audit. Finance staff analyzes the City's assets, liabilities, revenues, expenditures and fund balances in accordance with Governmental Accounting Standards. The audit was performed in mid-October. Very few adjustments were made to the City's records by its auditors. These adjustments have been included in this Final 6/30/07 Quarterly Financial Report.

GENERAL FUND

General Fund Financial Condition. Year end general fund revenues were less than budgeted by just under \$700,000. This met staff's revised expectations as year end revenues exceeded projections provided during the FY 07/08 budget process by \$162,000. Expenditures were \$364,000 less than projected by the departments during their FY 07/08 budget submissions. At year end, general fund revenues exceeded expenditures by \$789,000 or 2.3% of expenditures.

General Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	3,833,519	3,833,519	-
Revenues	35,435,424	34,735,462	98.0%
Expenditures	(36,307,967)	(33,946,761)	93.5%
Balance	2,960,976	4,622,220	-

Revenues.

The City's top ten revenues account for 93% of total General Fund revenues. As a whole, they provide a good summary of our revenue position.

The primary revenue concerns expressed during the budget study session were sales tax, development related fees (building permits and plan check fees) and red light camera revenues. Since then, the situation has not changed. The combined impact of the revenues that will not meet our original budget estimates is offset in a large part by property tax revenues that exceed the original budget. After all revenue accruals were made, revenues are

approximately \$700,000 less than the original adopted budget as amended.

Fiscal year end is a good time to not only compare budget vs. actual for the fiscal year, but also to compare the actual results of operations for two fiscal years. This is shown in the tables below for the top ten general fund revenues.

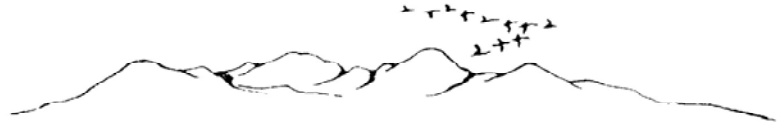
Top Ten Revenues	Budget	Actual	% Received
Property Taxes	\$ 10,378,030	\$ 11,569,178	111.5%
Sales Tax	\$ 11,864,710	\$ 10,365,319	87.4%
Business Licenses	\$ 670,000	\$ 662,798	98.9%
Franchise Fees	\$ 1,317,200	\$ 1,377,674	104.6%
Hotel/Motel Surcharge	\$ 600,000	\$ 664,856	110.8%
Building Permits	\$ 1,000,000	\$ 930,296	93.0%
Engineering Plan Check	\$ 375,800	\$ 207,333	55.2%
CSA "G" Fire Contract	\$ 600,000	\$ 738,509	123.1%
Recreation Fees	\$ 806,970	\$ 899,739	111.5%
Operating Transfers	\$ 5,357,000	\$ 4,843,118	90.4%
Total	32,969,710	32,258,820	97.8%

Top Ten Revenues	FY 05/06	FY 06/07	Change
Property Taxes	\$ 9,426,662	\$ 11,569,178	22.7%
Sales Tax	\$ 11,190,232	\$ 10,365,319	-7.4%
Business Licenses	\$ 644,182	\$ 662,798	2.9%
Franchise Fees	\$ 1,264,092	\$ 1,377,674	9.0%
Hotel/Motel Surcharge	\$ 584,771	\$ 664,856	13.7%
Building Permits	\$ 1,527,957	\$ 930,296	-39.1%
Engineering Plan Check	\$ 373,962	\$ 207,333	-44.6%
CSA "G" Fire Contract	\$ 588,919	\$ 738,509	25.4%
Recreation Fees	\$ 811,490	\$ 899,739	10.9%
Operating Transfers	\$ 4,387,935	\$ 4,843,118	10.4%
Total	30,800,202	32,258,820	4.7%

- **Property Tax.** Property taxes have experienced strong growth in the current fiscal year (17% county-wide property tax roll growth). Year-end total receipts reflect additional revenues of \$1.2 million over the adopted budget. In light of the decline in new housing construction and drop-off in housing prices during 2006, we do not expect to see the same level of growth in the next fiscal year.

- **Sales Tax.** Sales tax revenues are \$1.5 million less than the original adopted budget. There are three reasons for this deficiency:

- 1) The City's 1% share of retail sales decreased by 3.9% (\$431,000) from fiscal year FY 05/06;
- 2) We budgeted for an increase in retail sales, not a decrease. The increase budgeted for and not received amounted to \$763,000;



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- 3) We paid Sutter County \$318,000 more than expected for FY 06-07 under the terms of the Master Tax Exchange Agreement.

In order to evaluate “how we got there” on a quarter by quarter basis, the following is a comparison of the gross sales tax revenues for each quarter of FY 06/07 compared to the same quarter in FY 05/06:

July-September	11.5% decrease
October-December	8.8% decrease
January-March	1.2% increase
April-June	5.7% increase

▪ **Business Licenses.** Business licenses are renewed in January of each year. At year end revenues are down slightly from the budgeted amount.

▪ **Franchise Fees.** The City receives franchise fees from PG&E, YSDI, and Comcast; the fees are based upon a percentage of their revenues. Actual receipts were within budgetary expectations, year-end revenues exceeded the budget by 4.6% as projected.

▪ **Hotel/Motel Surcharge.** Surcharge revenues exceeded budget expectations by approximately \$65,000.

▪ **Construction Permit Fees.** Building Permits and Engineering Plan check fees were lower than budgetary expectations due to weakness in the housing market. Through June 30th, combined receipts were 83% of budget. Previously we reported that construction permit fees would end the year at just under \$1,100,000 (compared to the adopted amount of \$1.38 million). Our projections were right on target, we ended the year at \$1,138,000. This is down significantly over previous years. For perspective, actual receipts for FY05 and FY06 were roughly \$3.5 million and \$1.9 million, respectively.

▪ **CSA “G” Fire Contract.** The City receives these funds for fire services to the unincorporated area that was formerly served by the Walton Fire Protection District. Since revenues are property taxes, they are showing a large increase in growth similar to that noted above for other City property taxes.

▪ **Recreation Fees.** Service fees received through the end of the fiscal year exceeded budget by \$93,000. They also exceeded projections by \$27,000.

▪ **Operating Transfers.** The General Fund receives reimbursement for operating costs associated with support services provided to the water and wastewater utilities as well as other fund transfers. Year end transfers were less than budgeted from Traffic Safety related to red light camera revenues (explained below). The remaining transfers are within budgetary expectations.

Expenditures. Operating costs were generally within budgetary expectations as summarized below.

Expenditures	Budget	YTD Actual	% Expended
City Council	140,276	97,607	69.6%
City Attorney	201,000	236,348	117.6%
City Manager	379,063	355,452	93.8%
Administrative Services	3,652,266	3,355,865	91.9%
Human Resources/City Clerk	968,772	904,469	93.4%
Community Development	2,098,741	1,588,342	75.7%
Public Works	3,824,240	3,621,647	94.7%
Police	11,827,618	11,512,613	97.3%
Fire	8,693,736	8,381,871	96.4%
Animal Control Services	486,789	277,875	57.1%
Economic Development	89,750	63,849	71.1%
Contingency	100,000	-	0.0%
Non-Departmental Misc.	159,570	89,241	55.9%
Parks & Recreation	3,686,146	3,461,583	93.9%
Total General Fund	36,307,967	33,946,761	93.5%

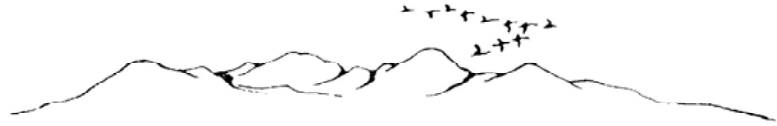
ENTERPRISE FUNDS

The following summarizes year-to-date revenues, expenditures and changes in working capital for the enterprise funds. In general, revenues and expenditures are consistent with past trends.

Water Fund

	Budget	Actual	Percent
Balance, Start of Year	39,307,396	39,307,396	-
Revenues	12,000,000	10,851,458	90.4%
Expenditures			
Operating Programs	(8,056,703)	(6,294,595)	78.1%
Depreciation	(1,140,000)	(2,414,359)	211.8%
Debt Service	(1,818,659)	(1,748,553)	96.1%
Balance	41,432,034	42,115,705	-

CIP Projects	30,608,000	10,703,019	35.0%
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Wastewater Fund

	Budget	Actual	Percent
Balance, Start of Year	23,365,529	23,365,529	-
Revenues	10,597,500	10,227,373	96.5%
Expenditures			
Operating Programs	(8,912,097)	(7,538,690)	84.6%
Depreciation	(1,955,000)	(2,582,484)	132.1%
Debt Service	(1,496,539)	(1,289,841)	86.2%
Balance	21,599,393	22,181,887	-
CIP Projects	13,382,000	2,328,831	17.4%