

Quarterly Financial Report For Quarter Ending 09/30/07

November 20, 2007

OVERVIEW

With only the first quarter of the fiscal year complete, it is too early to identify any major financial trends. However, there do not appear to be any significant deviations from revenue and expenditure patterns compared to the first quarter of last fiscal year. This report is prepared on a cash basis; therefore it describes the timing of cash flows as it relates to the City's revenues.

Interim Beginning Balances. The City's annual independent audit is complete. We have received the preliminary auditor's adjustments to the City's ledgers. We believe the beginning fund and working capital balances presented in this report are reasonable and are not likely to change significantly due to any additional auditor adjustments prior to receipt of our draft audit report.

Adjusted Budgets. The revenue projections and budgets include adjustments for encumbrances, carryovers and any supplemental appropriations made by the Council as of September 30, 2007.

GENERAL FUND

General Fund Financial Condition. With 25% of the year complete, General Fund revenues are at 7.8% of projections and expenditures are at 21.2%.

General Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	4,447,085	4,447,085	-
Revenues	37,318,873	2,929,365	7.8%
Expenditures	(37,702,609)	(8,008,619)	21.2%
Balance	4,063,349	(632,169)	-

The budgeted expenditures shown above exceed revenues as they include encumbrance carryovers from FY 2006-07 of \$414,762. Encumbrance carryovers are outstanding purchase orders as of June 30th. Encumbrances are liquidated and paid from the beginning fund balance as prior year budget monies are used to pay for them (as opposed to current year revenues).

In the YTD Actual shown above, the ending fund balance is negative for the general fund as of the end of the first quarter. This is typical for the general fund and indicates the cash flow pattern for the general

fund. Expenditures are typically incurred fairly evenly throughout the fiscal year whereas our largest revenue source is received in two large payments in February and May when property taxes are received from Sutter County.

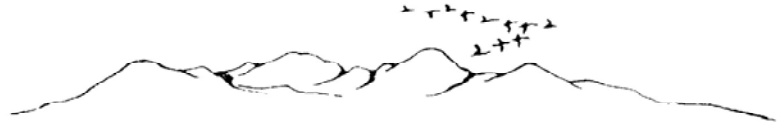
Revenues.

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. Overall, these key revenues are performing as projected based on payment schedules and past trends for the first quarter. Any significant variances are noted below.

Top Ten Revenues	Budget	Actual	% Received
Property Taxes	\$ 11,611,850	\$ -	0.0%
Sales Tax	\$ 11,232,500	\$ 953,595	8.5%
Business Licenses	\$ 700,000	\$ 23,653	3.4%
Franchise Fees	\$ 1,448,400	\$ -	0.0%
Hotel/Motel Surcharge	\$ 650,000	\$ -	0.0%
Building Permits	\$ 1,500,000	\$ 252,665	16.8%
State Motor Vehicle	\$ 350,000	\$ 102,435	29.3%
CSA "G" Fire Contract	\$ 654,937	\$ -	0.0%
Recreation Fees	\$ 1,133,713	\$ 181,185	16.0%
Operating Transfers	\$ 5,357,000	\$ 1,176,235	22.0%
Total	34,638,400	2,689,768	7.8%

▪ **Property Tax.** The first apportionment of 2007-08 taxes will not occur until February, 2008. When assessed values become available from the Sutter County Auditor-Controller's Office we will review revenue projection calculations. In the meantime it is worthwhile to mention that during budget preparation, staff anticipated an increase of 8.5% in property tax revenues. However, the FY 2006-07 revenues ended the year higher than expected so the budgeted amount shown above would represent an increase of less than ½ of 1% over the FY 2006-07 actual receipts.

▪ **Sales Tax.** Sales tax revenues ended FY 2006-07 less than projected. As such, the increase required to achieve the FY 2007-08 projection is 8.4%. Historically that would not be an unreasonable increase. However, given the past year's trend data in sales tax, that may be too optimistic. The revenue data for the July through September quarter sales is not available from the Board of Equalization until mid December. Staff will update City Council as part of the City Manager's weekly report when information becomes available. The revenue shown above represents advance payments received from the State towards the first quarter's receipts.



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- **Business Licenses.** Business licenses are renewed in January of each year, therefore most of the revenues from business licenses are received during the third quarter of the fiscal year.
- **Franchise Fees.** The City receives franchise fees from PG&E, YSDI, and Comcast; the fees are based upon a percentage of their revenues. The receipts for the first quarter of the fiscal year are not received until the end of October, henceforth, we would not expect to show any revenues during the first quarter of the fiscal year.
- **Hotel/Motel Surcharge.** Surcharge revenues for the first quarter were not received until the end of October.
- **Construction Permit Fees.** Building Permits continue to reflect the weakness in the housing market.
- **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 tax based, the first apportionment will be received in February, 2008.
- **Recreation Fees.** Service fees received are less than the expected 25% but coincide with the timing of Recreation programs.
- **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. Transfers are well within budgetary expectations.

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

Expenditures	Budget	YTD Actual	% Expended
City Council	161,757	22,020	13.6%
City Attorney	220,000	563	0.3%
City Manager	379,543	79,057	20.8%
Administrative Services	3,744,614	765,832	20.5%
Human Resources/City Clerk	908,110	177,738	19.6%
Community Development	1,571,627	318,772	20.3%
Public Works	3,812,566	818,427	21.5%
Police	12,782,842	2,892,501	22.6%
Fire	9,081,637	2,057,855	22.7%
Animal Control Services	383,050	-	0.0%
Economic Development	209,500	13,099	6.3%
Contingency	100,000	-	0.0%
Non-Departmental Misc.	150,764	19,277	12.8%
Parks & Recreation	4,196,598	843,479	20.1%
Total General Fund	37,702,609	8,008,619	21.2%

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. Depreciation is included as a footnote in the budget and is therefore not included below. Revenues in the water fund exceed the 25% expected for the percentage of the year complete as they reflect the seasonal pattern of usage during the summertime. Connection fee revenues for both water and wastewater are at 15% of projected revenues, an indication of the slowdown in building construction. Debt service expenditures are zero as of the end of the first quarter as both water and wastewater debt service are payable on December 1st and June 1st of each year.

Water Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	16,087,349	16,087,349	-
Revenues	11,202,175	3,033,914	27.1%
Expenditures			
Operating Programs	(7,462,860)	(1,536,258)	20.6%
CIP Projects	(1,270,000)	(317,500)	25.0%
Debt Service	(1,819,345)	-	0.0%
Balance	18,007,319	17,585,006	-

CIP Projects	9,652,000	562,274	5.8%
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Wastewater Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	18,765,219	18,765,219	-
Revenues	12,572,900	2,600,354	20.7%
Expenditures			
Operating Programs	(8,467,231)	(1,564,365)	18.5%
CIP Projects	(2,411,592)	(977,582)	40.5%
Debt Service	(1,497,083)	-	0.0%
Balance	18,962,214	18,823,626	-

CIP Projects	6,556,000	689,704	10.5%
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