

City of Elk Grove, CA
**ANNUAL FINANCIAL REPORT
TO THE COMMUNITY**
Fiscal Year Ending June 30, 2010





To the Residents of Elk Grove

The Finance Department is proud to present you with the City's Annual Financial Report to the Community for the fiscal year (FY) ended June 30, 2010. This report provides an overview of the City's financial condition and a brief analysis of where the City revenues are derived and where those dollars are spent.

Most of the information in this report is drawn from the financial information appearing in the FY 2009-10 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the City's independent auditors, receiving an unqualified (clean) opinion. While the financial data in this document conforms with GAAP, the statistical, economic and demographic data are taken from various sources and are not GAAP-basis data.

We hope you will find this information to be interesting and informative. We welcome your comments and suggestions for future reports. Both the CAFR and this document are available for viewing at the local public libraries, City Hall and on the City's website at <http://www.elkgrovecity.org>.

City Overview

In 1850, Elk Grove was established as a hotel and stagecoach stop. Located in the State of California 15 miles south of historic Sutter's Fort in Sacramento, Elk Grove became a crossroads for business, entertainment, mail service and agriculture and acted as a home base for gold miners in nearby communities. After the early gold rush, a close-knit community evolved with a distinctly rural and western lifestyle. Today, the City of Elk Grove is a growing, thriving community.



The City of Elk Grove incorporated under California law on July 1, 2000, as a general-law city. The City operates under the City Council/Manager form of government. The City's five Council Members are elected at-large by resident district and serve four-year terms. The five Council Members elect, by a vote of their peers, a Mayor and Vice-Mayor on a yearly basis. All elections are conducted on a non-partisan basis.

The City provides a variety of services to its residents which include public safety, highways and streets, public improvements, planning and zoning, general administration, transit, solid waste, community enhancement and drainage.

The County has continued to lose jobs and unemployment remains at record highs due in large part to the continued slowdown in the construction sector and the limited availability of financial capital. The City issued only 284 residential and 7 commercial construction permits during the fiscal year ended 2009-10, a significant decrease from the City's record high year 2003-04 in which 4,666 residential and 90 commercial permits were recorded.

The City realizes that development fuels job growth and as such has reduced and deferred much of the financial impact on development and continues to work with the development community towards sustainable solutions that promote growth while protecting the City's financial resources. In addition, the City is strategically planning for business market growth for the future. City staff continues to explore new methods of providing the highest level of service to our residents at the lowest possible cost. Maintaining this high quality of service to our residents is of paramount importance to the City Council, City Manager and the City's employees. Looking forward, the City sees its tax base improving with the opening of a new Ford dealership in the auto mall and the construction of a Kaiser facility near the Promenade mall site.

Financial Highlights for Fiscal Year 2010

The City prepares two types of financial statements that measure its finances differently. The government-wide statements present a long-term perspective of the City's assets, liabilities and net assets, as well as its operations. The fund statements provide a short-term perspective of individual fund's assets, liabilities and fund balance, as well as the resources flowing in and out of during the fiscal year. The General Fund is the main operating fund of the City.

Highlights of the City of Elk Grove's financial activities for the FY ending June 30, 2010 include:

- Total net assets decreased \$18 million from last year, a 1.3% decrease.
- Long-term liabilities decreased by nearly \$1.6 million, a 1.6% decrease.
- Cash and investments comprised of \$157 million in the City treasury and nearly \$26 million of restricted cash held by fiscal agents.
- Net capital assets of \$1.2 billion include the City's entire infrastructure in addition to all other City assets.



The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating. As you can see from the Statement of Net Assets below, the City's net assets decreased by \$18 million.

	2010	2009
Assets		
Current and other assets	\$ 270,678,620	\$ 270,287,760
Capital assets	1,264,113,827	1,284,091,251
Total Assets	1,534,792,447	1,554,379,011
Liabilities		
Current and other liabilities	39,652,057	38,752,510
Long-term liabilities	114,585,703	116,264,650
Total Liabilities	154,237,760	155,017,160
Net Assets		
Invested in capital assets, net of related debt ¹	1,166,913,074	1,188,822,370
Restricted net assets ²	174,395,146	176,745,807
Unrestricted net assets ³	39,246,467	33,793,674
Total Net Assets	\$ 1,380,554,687	\$ 1,399,361,851

¹Capital Assets less accumulated depreciation

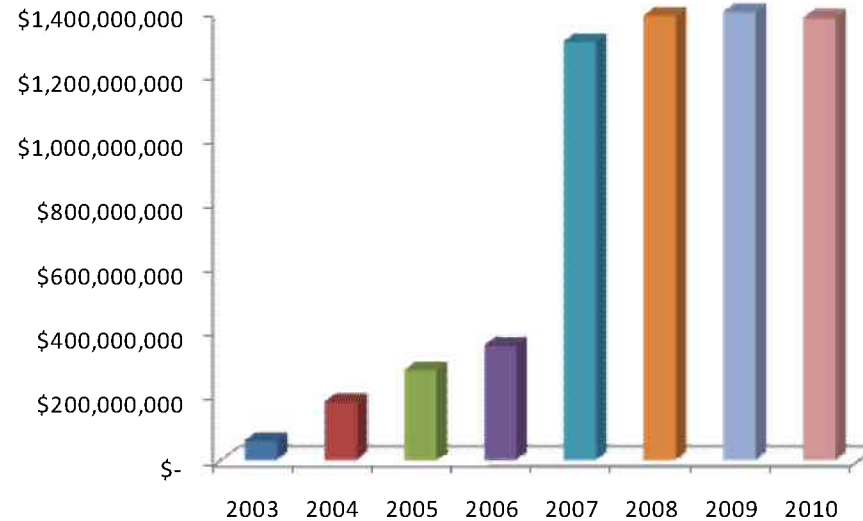
²Asset whose use is restricted by statute or law

³Portion of net assets available to meet City obligations in upcoming FY.



*Detailed financial reports can be found in the City's FY 2009-10 CAFR available on the City's website at <http://www.elkgrovecity.org>, City Hall or local public libraries.

Total Net Assets For Last Seven Years



This chart shows that the City's net assets have increased substantially since 2003. The dramatic increase from 2006 to 2007 reflects the capitalization of infrastructure. The assets are reported net of depreciation.

The completion of the interchange on Highway 99 at Sheldon Road, slated to be early in FY 2009-10, was delayed by some issues with the paving material used in the process and complications with weather conditions needed to conduct repair. While the City added over \$7 million during the fiscal year to the nearly \$63 million spent on the project in previous year, an additional \$1 million remains on the project contracts. Currently the expected completion is the early months of FY 2010-11.





The Statement of Activities provides a record of the money received by the City and spent during the year. Explanations of specific Resources and Services are provided on the following pages.

	<u>2010</u>	<u>2009</u>
<i>Revenues:</i>		
<i>Program revenues:</i> ¹		
Fees, fines and charges for services	\$ 40,691,276	\$ 41,893,920
Operating grants and contributions	23,772,900.00	23,742,901.00
Capital grants and contributions	13,707,246.00	38,276,594.00
	<u>78,171,422</u>	<u>103,913,415</u>
<i>General Revenues:</i> ²		
Property taxes	9,492,668	12,766,714
Sales and use taxes	10,942,740	11,411,206
Other Taxes	8,849,006	10,872,272
Investment earnings	3,932,316	7,875,451
Miscellaneous	2,084,199	545,520
	<u>35,300,929</u>	<u>43,471,163</u>
Total Revenues	<u>113,472,351</u>	<u>147,384,578</u>
<i>Expenses:</i>		
General government	11,229,565	9,906,325
Public safety	27,784,118	30,386,062
Public ways and facilities	52,543,091	49,714,393
Community development	6,260,318	6,642,917
Interest on long-term debt	5,792,696	5,862,295
Solid Waste	10,655,859	10,214,472
Transit	8,390,331	10,777,366
Drainage	3,100,355	3,309,437
Revenue Neutrality	6,523,182	8,488,666
	<u>132,279,515</u>	<u>135,301,933</u>
Total Expenses	<u>132,279,515</u>	<u>135,301,933</u>
Change in Net Assets	(18,807,164)	12,082,645
Net assets July 1, 2009	1,399,361,851	1,387,279,206
Net assets June 30, 2010	<u>\$1,380,554,687</u>	<u>\$1,399,361,851</u>

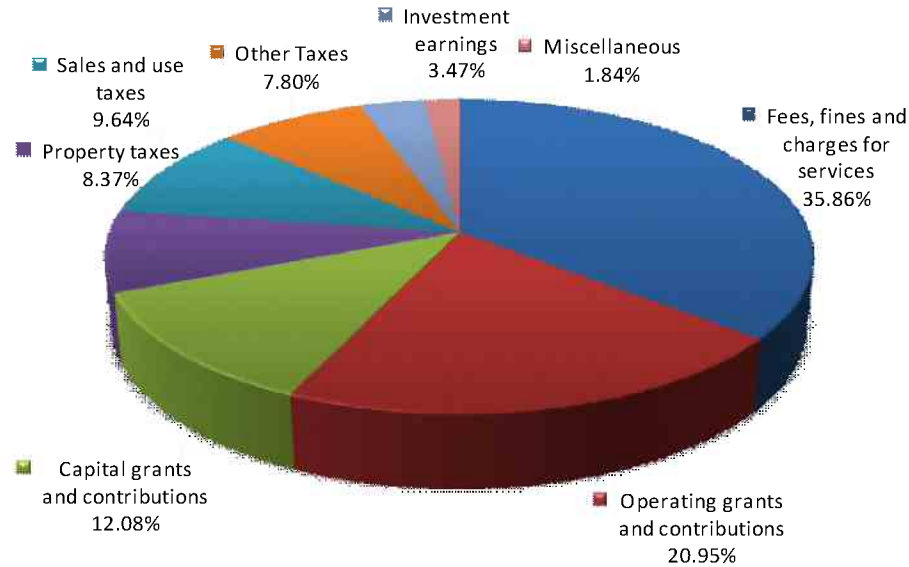
¹Revenues derived directly from fees, charges and grants

²All revenues that are not related to programs

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Revenues

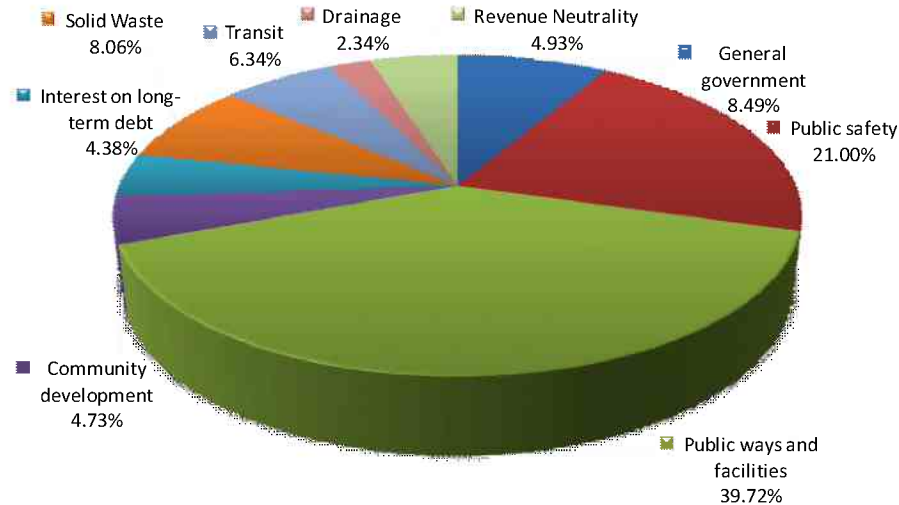
Where the money comes from...



- Fees, fines and charges for services - payments received directly by the City for services performed. This would include fees such as utility payments, business license, development service and code enforcement fines.
- Operating grants and contributions - monies received from parties outside the City and are generally restricted to one or more specific programs. This would include items such as vehicle licensing fees from the State and Police Grants from other governmental agencies for public safety.
- Capital grants and contributions - monies received for capital purposes, to purchase, construct, or renovate capital assets associated with a specific program. This would include items such as Measure A financing for constructing roadways and highway interchanges.
- Property taxes - 5 to 6% of property tax collected by the County and allocated to the City. The City further shares 85% of the gross revenues with the County of Sacramento per the Revenue Neutrality agreement implemented at incorporation. See expense on the following page.
- Sales and use taxes - 1% sales tax collected on retail sales in the City.
- Other Taxes - taxes collected by the City such as Transient Occupancy Tax and Utility User Taxes.
- Investment earnings - interest earned on investments of idle funds.
- Miscellaneous - any revenue that does not readily fit into a previously listed category.

Expenses

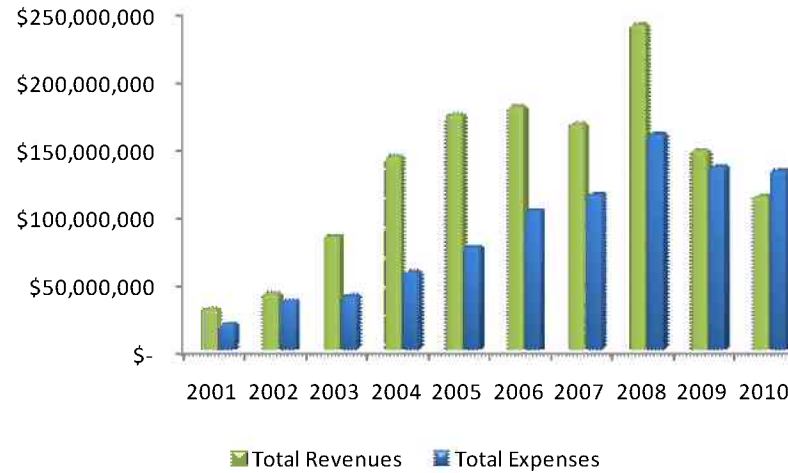
Where the money goes...



- **General government** - includes expenses for the administrative offices including the City Council, City Manager, City Attorney, Finance, Human Resources, City Clerk, Insurance and general administration of the City.
- **Public safety** - includes all aspects of law enforcement.
- **Public ways and facilities** - reflects expenses associated with the repair, construction, acquisition and maintenance of public roads and parking facilities. This would include the Grant Line and Sheldon Interchanges.
- **Community development** - reflects services provided to residents and businesses including Planning, Building, Animal Control, Code Enforcement, Communications and Youth Services.
- **Interest on long-term debt** - indirect expense of interest paid on general long-term debt incurred by governmental functions.
- **Solid Waste** - expenses associated with refuse and recycling.
- **Transit** - represents expenses associated with operation of public transportation, including busses and paratransit.
- **Drainage** - maintenance of storm water drainage system.
- **Revenue Neutrality** - agreement between City and County at incorporation lasting 25 years to ensure the County remains revenue neutral.

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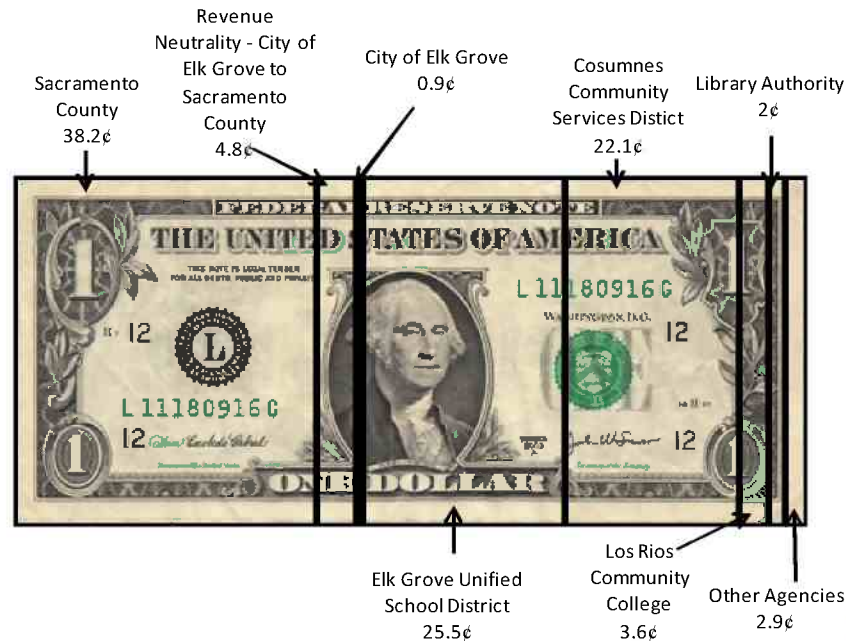
Total Revenues & Expenses Last Ten Fiscal Years



The spike in revenue for 2008 is due to grants received for the two major interchanges. The decrease in revenue for 2009 is a result of the downturn in the economy which the City compensated for by reducing expenses.

Where Your Property Tax Dollar Goes...

Revenue Neutrality—Property owners are levied one percent of appraised value for annual property tax payment. Of this payment, an average of 5.7 cents is allocated to the City annually to provide services. At incorporation, the City accepted that a portion of the property taxes generated within the boundary would be retained by the County to hold them revenue neutral. As a result, the City recognized only 15% of those funds (.9 cent of total tax payment) as available for services.



City of Elk Grove Facts*

Population	143,885**	Area	42 square miles
Elevation	45 feet	Miles of Streets	506
Miles of Sidewalk	993	Streetlights	11,148
Traffic Signs	9,909	Manholes	7,526
Feet of Pipe	2,140,120	Storm Drain Inlets	12,450

Averages

Low Temperature	24-44 degrees
High Temperature	80-115 degrees
Annual Precipitation	22" October through April
Median Income	\$82,784
Median Age	33 years

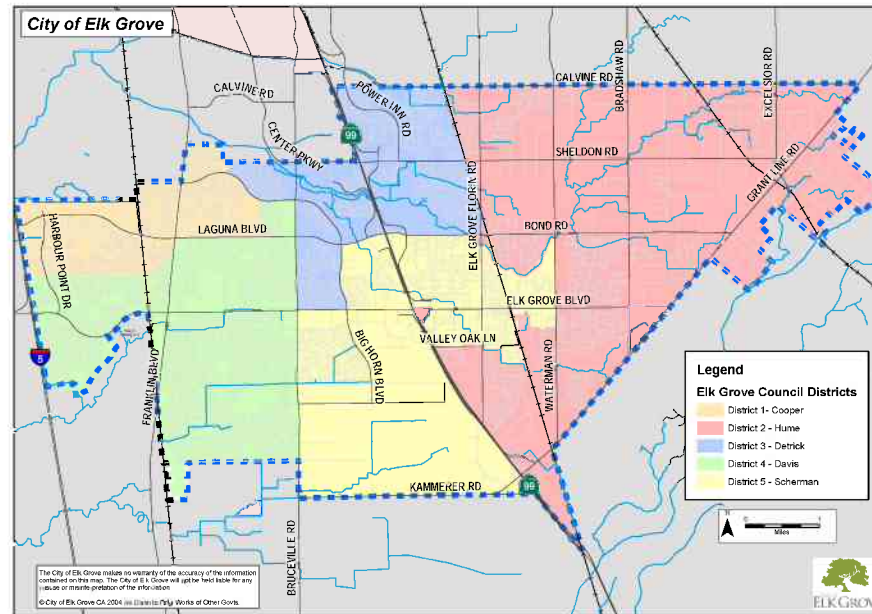
*Estimates

**Population has increased 76.7% since the year of incorporation and 1.7% over the previous year. The City is the second largest incorporated city within Sacramento County.



Steven Detrick Mayor District 3	James Cooper Vice-Mayor District 1	Patrick Hume Councilmember District 2	Gary Davis Councilmember District 4	Sophia Scherman Councilmember District 5
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City of Elk Grove Council District Map





Visit the City of Elk Grove Website at

<http://www.elkgrovecity.org>

The City's website includes information about:

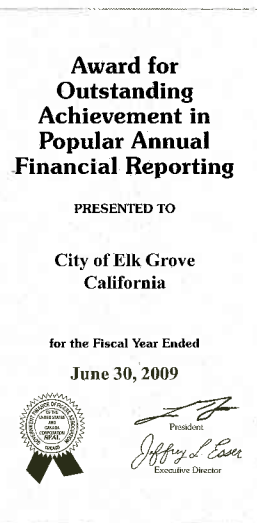
- ◆ Councilmembers
- ◆ Council Meetings
- ◆ Council Agenda
- ◆ Job Opportunities
- ◆ City Permits and Forms
- ◆ City Newsletter
- ◆ Department Contact Information
- ◆ Purchasing Bid Solicitation

Financial Information

- ◆ Budget
- ◆ Annual Financial Statements (CAFR)
- ◆ Elk Grove Annual Report to the Community
- ◆ Development Related Fee Information
- ◆ Mello Roos CFD's
- ◆ Development Impact Fee Deferral Program

Online Services

- ◆ City of Elk Grove Police Department
EGPD Daily Watch Summary
- ◆ Transit Services
Purchase e-tran and e-van passes
e-tran Interactive Route Map
- ◆ GIS Mapping Tools
- ◆ View Building Permits
- ◆ Apply or Renew Business Licenses
- ◆ Track your Code Enforcement Case
- ◆ Pay Utility Bill
- ◆ Apply for City Jobs



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Elk Grove for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive an Award for Outstanding Achievement in Popular Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

**City of Elk Grove
Finance Department**

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www.elkgrovecity.org

