

City of Elk Grove, CA

**ANNUAL FINANCIAL REPORT
TO THE COMMUNITY**

Fiscal Year Ending June 30, 2011





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, 2011. 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 2010-11 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 is derived from GAAP data, 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 247 residential and 48 commercial construction permits during the fiscal year ended 2010-11, 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 2011

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, 2011 include:

- Total net assets decreased \$22 million from last year, a 1% decrease.
- Long-term liabilities increased by nearly \$8 million, a 7% increase.
- Cash and investments comprised of \$153 million in the City treasury and nearly \$34 million of restricted cash held by fiscal agents.
- Net capital assets of \$1.36 billion include the City's entire infrastructure in addition to all other City assets.



STATEMENT OF NET 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 \$22 million.

	2011	2010
Assets		
Current and other assets	\$ 274,643,411	\$ 270,678,620
Capital assets	1,249,476,158	1,264,116,827
Total Assets	1,524,119,569	1,534,795,447
Liabilities		
Current and other liabilities	43,270,172	39,652,057
Long-term liabilities	122,625,294	114,585,703
Total Liabilities	165,895,466	154,237,760
Net Assets		
Invested in capital assets, net of related debt ¹	1,159,417,066	1,166,913,074
Restricted net assets ²	185,275,766	174,395,146
Unrestricted net assets ³	13,531,271	39,246,467
Total Net Assets	\$ 1,358,224,103	\$ 1,380,554,687

¹Capital Assets less accumulated depreciation and the related debt.

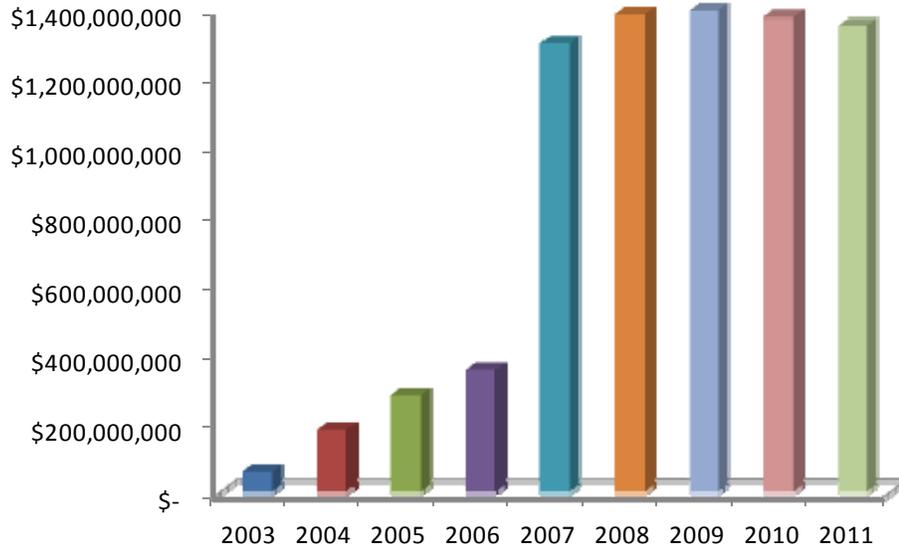
²Asset whose use is restricted by statute or law.

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



*Detailed financial reports can be found in the City's FY 2010-11 CAFR available on the City's website at <http://www.elkgrovecity.org>, City Hall or local public libraries.

Total Net Assets For Last Nine 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.

During the 2010-11 FY the City Council, acting as the governing board of the Elk Grove Finance Authority (EGFA), authorized the issuance and sale of \$10,715,000 in Lease Revenue Bonds to begin construction of a household hazardous waste collection facility. The project also has funding from a Recovery Zone Economic Development subsidy. The project included the acquisition of land, furnishings and equipment related to the facility and is anticipated to be built and operating within the next two years.





STATEMENT OF ACTIVITIES

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. The decrease in program revenues is due to developments slow recovery from economic challenges experienced in recent years.

	2011	2010
<i>Revenues:</i>		
<i>Program revenues:</i> ¹		
Fees, fines and charges for services	\$ 28,733,304	\$ 40,691,276
Operating grants and contributions	33,950,627	23,772,900
Capital grants and contributions	11,864,993	13,707,246
	74,548,924	78,171,422
<i>General Revenues:</i> ²		
Property taxes	10,368,205	9,492,668
Sales and use taxes	11,797,182	10,942,740
Other Taxes	11,039,915	8,849,006
Investment earnings	3,590,341	3,932,316
Miscellaneous	100,000	2,084,199
	36,895,643	35,300,929
Total Revenues	111,444,567	113,472,351
<i>Expenses:</i>		
General government	11,799,741	11,229,565
Public safety	28,802,715	27,784,118
Public ways and facilities	52,292,021	52,543,091
Community development	6,944,808	6,260,318
Interest on long-term debt	5,645,665	5,792,696
Solid Waste	10,748,028	10,655,859
Transit	8,871,403	8,390,331
Drainage	3,260,816	3,100,355
Revenue Neutrality	5,409,954	6,523,182
	133,775,151	132,279,515
Total Expenses	133,775,151	132,279,515
Change in Net Assets	(22,330,584)	(18,807,164)
Beginning Net assets July 1,	1,380,554,687	1,399,361,851
Ending Net assets June 30,	\$1,358,224,103	\$1,380,554,687

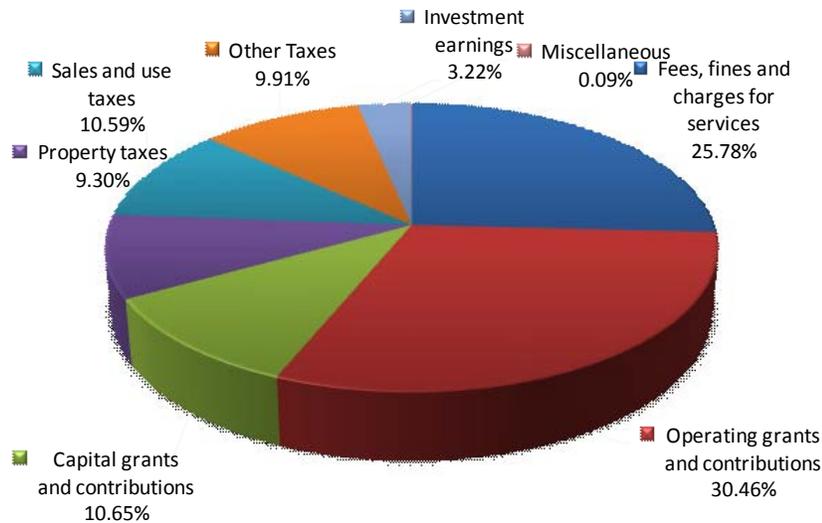
¹Revenues derived directly from, fees, charges and grants

²All revenues that are not related to programs

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Revenues

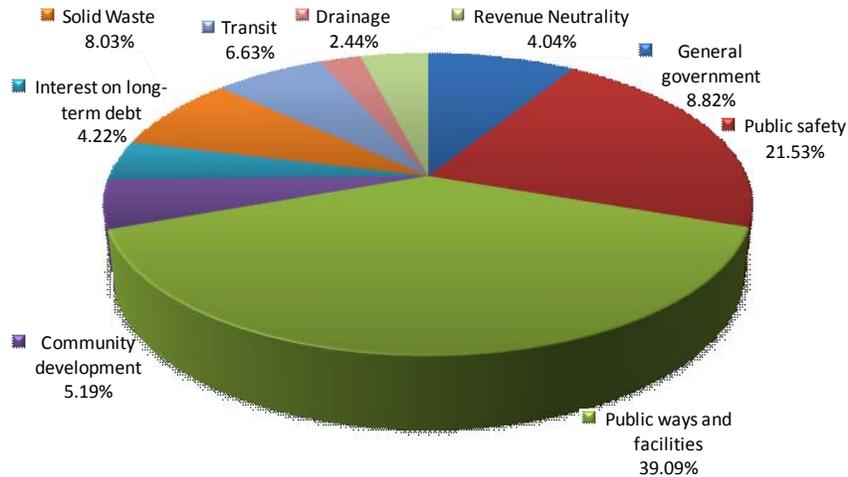
Where the money comes from...



- 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 80% 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 - smaller taxes collected by the City such as Transient Occupancy Tax.
- Investment earnings - interest earned on investments of idle funds.
- Miscellaneous - any revenue that does not readily fit into a previously listed category.

Expenses

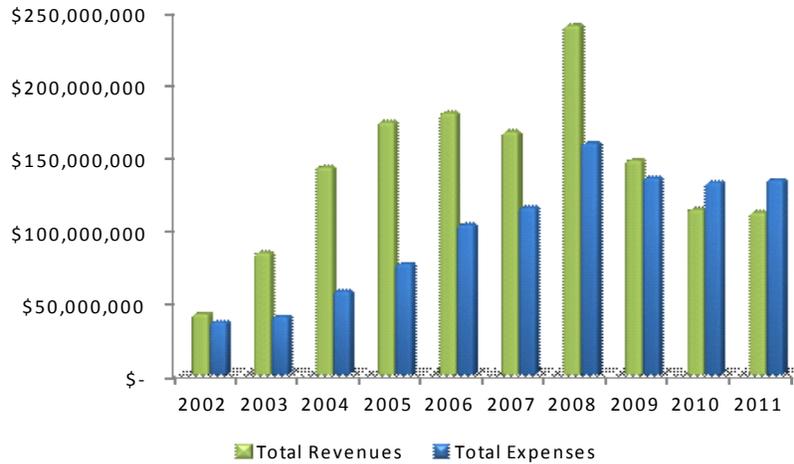
Where the money goes...



- 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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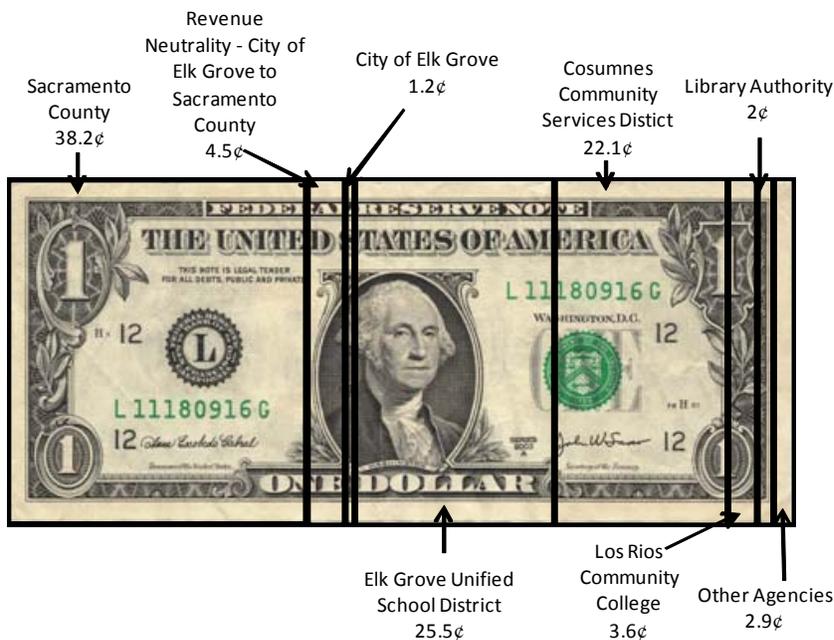
Total Revenues & Expenses Last Ten Fiscal Years



The spike in revenue for 2008 is due to grants received for the two major interchanges. The decrease in revenue from 2009 to 2011 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 20% of those funds (1.2 cents of total tax payment) as available for services.



City of Elk Grove Facts*

Population	153,015**	Area	42 square miles
Elevation	45 feet	Miles of Streets	502
Miles of Sidewalk	995	Streetlights	11,133
Traffic Signs	9,909	Manholes	7,630
Feet of Pipe	2,076,428	Storm Drain Inlets	11,915

Averages

Low Temperature	24-44 degrees
High Temperature	80-115 degrees
Annual Precipitation	22" October through April
Median Income	\$82,784
Median Age	34.5 years

*Estimates

**Population has increased 87.9% since the year of incorporation and 1.06% over the previous year. The City is the second largest incorporated city within Sacramento County.



James Cooper
Mayor

District 1



Patrick Hume
Vice-Mayor

District 2



Steven Detrick
Councilmember

District 3



Gary Davis
Councilmember

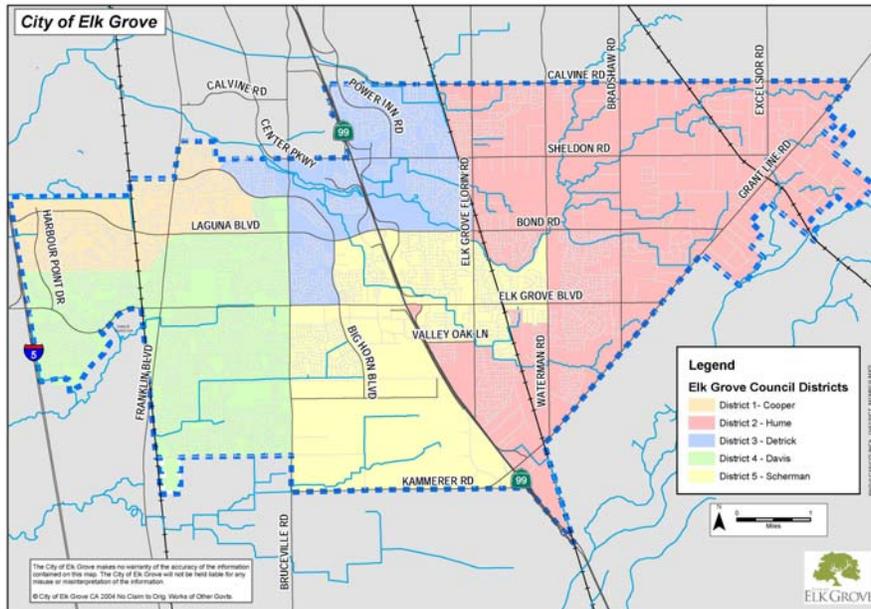
District 4



Sophia Scherman
Councilmember

District 5

City of Elk Grove Council District Map





GOVERNMENT CITY SERVICES ONLINE SERVICES VISITORS COMMUNITY CONTACTS

Search

Go

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

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

City of Elk Grove
California

for the Fiscal Year Ended
June 30, 2010



Linda C. Davison
President
Jeffrey J. Caser
Executive Director

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, 2010. 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

