

RECOMMENDATIONS REGARDING THE APPLICATION OF GASB
NO. 44 TO STATISTICAL SCHEDULES PREPARED BY CALIFORNIA
LOCAL GOVERNMENTS

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TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Determination of Own Source Revenues (For GASB 44 Purposes)	1
Shared Revenues	2
Own-Source Revenues	3
Summary of Certain Provisions of GASB No. 44	5
Requirements for Specific Schedules	6
Comments Regarding Example Statistical Schedules for a Typical California City	10
 EXAMPLE SCHEDULES:	
Net Assets by Component	11
Changes in Net Assets	12-13
Fund Balances of Governmental Funds	14
Changes in Fund Balances of Governmental Funds	15
Assessed Value and Estimated Actual Value of Taxable Property	16
Direct and Overlapping Property Tax Rates	17
Principal Property Tax Payers	18
Property Tax Levies and Collections	19
Ratios of Outstanding Debt by Type	20-21
Ratio of General Bonded Debt Outstanding	22
Direct and Overlapping Debt	23
Legal Debt Margin Information	24-25
Pledged-Revenue Coverage	26-27
Demographic and Economic Statistics	28
Principal Employers	29
Full-time and Part-time City Employees by Function	30
Operating Indicators by Function	31-32
Capital Asset Statistics by Function	33-34
Water District Schedules for Revenue Capacity:	
Water Sold by Type of Customer	35
Water Rates	36
Water Customers	37

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I. INTRODUCTION

Purpose of this Paper

In May 2004, GASB issued GASB Statement No. 44, *Economic Condition Reporting: the Statistical Section*. GASB No. 44 significantly changes the content and presentation of the information reported in the statistical section of a Comprehensive Annual Financial Report (CAFR).

In late December 2005, GASB issued its *Guide for Implementation of GASB Statement No. 44 on the Statistical Section*. Upon review of this guide, CCMA determined that a number of issues particularly impacting California local governments were not addressed in GASB's Implementation Guide. The purpose of this white paper is assist local governments in California by providing California-specific example schedules and to provide assistance in determining which revenues of a typical California city should be considered to be own source revenues for the purposes of consideration in the revenue capacity schedules of the new statistical section.

Effective Date

GASB Statement No. 44 is required to be implemented for years ending **June 30, 2006** (i.e., periods beginning after June 15, 2005).

Authoritative Status

The opinions expressed in this white paper are the opinions of the members of CCMA. As such, the recommendations of this white paper constitute Level Four guidance in the hierarchy of GAAP. The guidance in this white paper is suggestive to assist California cities in the application of generally accepted accounting principles. Other positions on these matters may be defended as appropriate applications of generally accepted accounting principles.

The information provided below is a generalized summary of the requirements of GASB Statement No. 44. This document should not be relied upon to provide all aspects associated with GASB No. 44. The financial statement preparer should refer to GASB No. 44 and the GASB 44 Implementation Guide for full details regarding the requirements of GASB No. 44.

Coordination with GASB and GFOA

CCMA has received information from GASB and GFOA to help distinguish "own source" revenues from "shared revenues". That information is summarized below. The positions taken in this white paper have been carefully reviewed with staff of GASB and GFOA in order to ensure that CCMA's recommendations are consistent with GASB staff and GFOA staff's understanding of the requirements of GASB No. 44.

II. DETERMINATION OF OWN SOURCE REVENUES (FOR GASB 44 PURPOSES):

An important element of this white paper is distinguishing which revenues for a typical California city are considered to be "own source revenues". The most significant own source revenue for

each local government must be analyzed in the revenue capacity schedules in the new statistical section. "Shared revenues" are not considered to be "own source" revenues.

Two requirements are generally necessary in order for a revenue to be considered to be an own-source revenue. Revenues would be considered to be own-source revenues if they were (1) derived from the tax base or economic base of the local government and (2) the local government had *some involvement* in establishing either the **base** (e.g., what portion of the base is exempt vs. subject to the tax) or the **rate**. Implied in this is that the local involvement is real and substantive. Generally, this would mean that should the reporting government decline to take the action necessary to enact the tax or charge, the amount paid by the paying party would be **less**.

Considerable professional judgment is necessary in properly determining own source revenues for the reporting local government. All of the factual characteristics of a revenue need to be considered in properly classifying revenues and in making the very subtle distinctions that must sometimes be made between own source revenues and shared revenues.

SHARED REVENUES

Some of the more significant revenues for a typical California city that would be classified as shared revenues are as follows. These revenues are classified as shared revenues because they either represent a distribution of state revenues (as opposed to local revenues generated from the local government's own economic base) or there is no substantive local involvement in enacting the tax, rate, or fee.

Sales Tax - In California, the State Board of Equalization (SBE) administers the collection and distribution of sales tax. Sales tax is collected at the point of sale by the retailer and is remitted to the SBE. Sales tax is a shared revenue from the standpoint of California cities. Although the City share of sales taxes is derived from the economic base of the reporting local government (i.e., merchant sales within the jurisdiction of the city), the local government has no substantive involvement in imposing the tax, establishing the rate, or determining the base (which transactions are exempt versus subject to the tax).

Prior to 1955, some cities in California (approximately half) imposed and collected a local sales tax. In 1955, a single state-wide sales tax was created that was imposed and collected by the State of California. The State of California agreed to share a portion of the state sales tax with cities if certain administrative procedures were followed. When a city incorporates, it receives a portion of the state sales tax if it provides to the state a copy of an ordinance passed by the newly incorporated city to "impose" the 1% local share of sales tax. This is administratively required by the state in order for the city to receive its 1% entitlement as provided by state law. This local action is a non-substantive administrative formality stipulated by the state for the sales tax distribution process to begin for that newly incorporated city.

In addition, a key factor in distinguishing own source revenue from shared revenue is whether or not the "local action" enacting the tax or charge results in a change in the amount paid by the paying party. If the paying party would pay less in the event that the local government declines to act, this would support a classification of that revenue as a own source revenue. That is not the case with sales tax. The 1% local share of the sales tax would revert to the applicable county in the event that the reporting municipality declines to "impose" the tax. This reversion to other units of local government (the county) supports the shared revenue status of sales tax revenue.

For those cities that wish to provide historical trend information regarding sales tax revenue, such data can be provided as an additional *financial trend* schedule. As a shared revenue, sales tax is not permitted to be presented in the *revenue capacity* schedules.

On the other hand, any local (municipal) add-ons to the sales tax rate (imposed by the reporting local government) would be treated as an own source revenue. Regional or county sales tax add-ons would be shared revenues from the standpoint of the City.

Grant Revenues – Grant revenues represent a sharing of revenue from another state or local government.

Motor Vehicle License Fee (VLF) – The motor vehicle license fee (VLF) is a state tax, not a local tax. This represents a state-wide revenue that is distributed to local governments based on population. In addition, the VLF replacement funds now received by cities would also be a shared tax. This is because those replacement funds represent a re-allocation of the state's share of property tax generated by the local tax base.

Gas Taxes - Gas taxes are imposed by the state on the distributor (wholesaler) at the time of sale of the gasoline or diesel fuel. The taxes are remitted the following month to the State Board of Equalization. These are shared revenues enacted by the state that are distributed to local governments pursuant to state statute.

Air quality (AB 2677) Revenues - These revenues represent the portion of automobile registration fees remitted to Counties and subsequently disbursed to cities, based on population, for use in improving air quality. This represents the sharing of a state revenue to local governments.

OWN-SOURCE REVENUES

Examples of significant municipal revenues that qualify as own-source revenues are as follows. In all of the cases indicated below the revenues were (1) derived from the tax base or economic base of the local government and (2) the local government had some involvement in establishing either the **base** (e.g., what portion of the base is exempt vs. subject to the tax) or imposing the **rate** (subject to limitations provided by state law).

Property tax - property tax for California local governments is an own source revenue. The taxes are derived from property values within the jurisdiction of the local government and the taxes originate from local impositions that were in effect prior to Proposition 13.

Proposition 13 set a maximum property tax rate per parcel of 1%. The total property tax now constrained by the 1% maximum rate is distributed to the various taxing jurisdictions in proportion to the locally-determined assessments that were in effect prior to Proposition 13.

Pre-Proposition 13 local impositions were real and substantive local impositions. Different cities established different tax rates in accordance with local budgetary deliberations. In the pre-Proposition 13 environment, the local actions imposing the local property tax rate increased the amount of property tax paid by the property owner.

In the post-Proposition 13 environment, there is no local involvement whatsoever in the determination of either the rate nor the base. Nevertheless, in California, property tax represents a bundling of local impositions constrained by a statutory maximum of 1% of assessed valuation. There is also no reversion to other units of government for a local government's failure to impose a local property tax, such as is the case with sales tax. Accordingly, property tax should be construed to be an own source revenue.

Real Property Transfer And Documentary Transfer Taxes - All *ad valorem* based property taxes are classified as own-source revenues for the reasons cited above. Real property transfer taxes are taxes that are assessed on the value of real estate when it is sold or exchanged. It is typically assessed to the seller by the escrow company and remitted to the county when the transaction is recorded.

Redevelopment Tax Increment - By forming a redevelopment project area, a city can take action to divert to a city-controlled redevelopment agency any future increases in property tax associated with changes in assessed valuation. This tax increment has many of the characteristics of the general property tax discussed above. This revenue is derived from the local economic base and is a direct result of substantive local action (the legal action to form the redevelopment project area, etc.). Although the local action forming the redevelopment agency does not change the total tax paid by the taxpayer (which is limited by state law to 1% of the assessed valuation), All ad valorem taxes received by the reporting local government should be considered to be own source revenues for the reasons set forth above for property taxes.

Special Assessments – Special assessments are locally imposed revenues applied to the tax bases of the community by the governing body of the reporting government.

Water and Sewer User Charges – Water and sewer user charges (and, in fact, all *user fees* imposed by a local government) are own source revenues that are imposed by the local government upon its local economic base.

Franchise Fees - Franchise fees are assessed to companies that provide utility service within a jurisdiction. The fees are charged to companies that provide electric, natural gas, water, refuse, and cable television service to residential and commercial customers. The fees are in exchange for the company's exclusive franchise to sell its services within a particular jurisdiction and to compensate a particular jurisdiction for the use of public right of way. Some cities also receive franchise fees from oil and natural gas companies that transfer products in pipelines underground. Franchise fees are typically based on a predetermined formula, such as length of pipelines or gross receipts. This is a locally enacted tax and is therefore considered to be an "own-source" revenue.

Utility Users Taxes – Utility users taxes are imposed by cities on customers of utilities, such as electricity, natural gas, water, cable television and telephone companies. The rate is set by the reporting local government, collected by the utility company, and subsequently remitted to the local government.

Transient occupancy taxes - Transient occupancy taxes are assessed to hotel/motel/rental agencies and are often referred to as hotel/motel bed tax. The tax is added as a percentage to the room rate and is collected by the hotel and remitted to the city. This is a locally enacted tax and is therefore considered to be an "own-source" revenue.

Business Licenses – Business licenses are own-source revenues imposed by a city upon its local business base.

Developer fees – Developer fees are own-source revenues imposed by the local government upon economic activity within its jurisdiction.

Local (Municipal) Sales Tax Add-On - Any local (municipal) add-on to the sales tax rate imposed by the reporting local government would be an own-source revenue from the stand-point of that reporting government. This is in contrast to county or regionally imposed sales tax add-ons that would be a shared revenue from the standpoint of the a reporting local government within that county or region.

Casino Tax - A number of cities have gambling casinos within their jurisdiction. These cities have adopted ordinances that require the payment of fees or "taxes" based on the gross receipts, table rent, or other related criteria. Although regulated by state law, this is a locally enacted tax and is therefore considered to be an "own-source" revenue.

Parimutuel Taxes - Parimutuel betting taxes are assessed by the governmental entity to racetracks. The assessment is imposed as an amount per dollar wagered. Cities that have horse racing in their communities are authorized by state law to receive parimutuel taxes. This tax is regulated and limited by state statutes that set the maximum amount that can be imposed. These taxes are based on the amount of money wagered on both on-track and off-track (satellite) races. This is a locally imposed tax that is enacted in accordance with certain limitations provided by state law.

III. SUMMARY OF CERTAIN PROVISIONS OF GASB NO. 44

Applicability of GASB No. 44

“Statistical sections” are optional (not required) for local governments. However, if a local government presents a statistical section, that section must fully comply with all of the requirements of GASB 44. A local government can voluntarily add a “statistical section” to a report that is not labeled a “CAFR”. But if the reporting government refers to that data as a “statistical section”, the data contained in that section must fully comply with GASB 44.

The term “statistical section” has a meaning that implies full conformity to GASB 44. If statistical data is presented in a manner that does not fully conform to the requirements of GASB 44, that data cannot be labeled a “statistical section” and the report containing that incomplete data should not be labeled a CAFR.

Type of Information Permitted in the New Statistical Section

The schedules required by GASB 44 are meant to provide information about the following:

- **Financial Trends Information** is intended to assist users in understanding and assessing how a government’s financial position has changed over time.
- **Revenue Capacity Information** is intended to assist users in understanding and assessing factors affecting a government’s ability to generate its own revenue.
- **Debt Capacity Information** is intended to assist users in understanding and assessing a government’s debt burden and its ability to issue additional debt.
- **Demographic and Economic Information** is intended to assist users in understanding socioeconomic environment within which a government operates and provide information that facilitates comparison of financial statement information over time and among governments.
- **Operating Information** is intended to provide information about operations and resources to assist readers in using financial statement information to understand and assess a government’s economic condition.

Other information or even additional schedules beyond the minimum requirements set forth in GASB 44 are permitted as long as that information fits into one of the five forms of information specified above.

Scope of Information Presented

Generally, only data relating to the primary government (including blended component units) should be presented. Data from discretely presented component units should be included if that data is considered to be significant in relation to the primary government. GASB No. 44 can be implemented prospectively (go forward basis). Although providing prior year data (for ten year trend schedules, etc.) is encouraged in the year of implementation, this is not required by either GASB No. 44, or for purposes of obtaining the GFOA or CSMFO award. The preparer can simply provide data for the 05/06 fiscal year and build the trend schedules on a go-forward basis. If prior year data is presented, the preparer can present a different number of years for each schedule depending on the practicality of obtaining and presenting that data in a consistent manner with the current year. If prior year data is presented, the preparer is encouraged, but not required to revise or restate prior year data to make it comparable to the current year. If prior year data presented is not comparable, the nature of the differences in the data should be footnoted.

Schedule Format is discretionary

Years can be presented in rows or in columns, etc. The number of columns, the labeling of columns, etc. is discretionary. The preparer can start with the latest year first or the earliest year first, etc. The sequence of the schedules is discretionary. Bar charts, pie charts, etc. can add to (but not replace) schedules presented in tabular format.

Unavailable Data

GASB No. 44 recognizes that certain data required by GASB No. 44 may not be readily available for certain local governments. When this occurs, GASB No. 44 encourages the use of substitute data (regional data, etc.) that represents a “good faith” effort to comply with the standard. When this is not practical, a notation to that effect can be made in a footnote to that schedule.

Property Taxes

All *ad valorem property taxes* (tax increment, etc.) for the primary government (included blended component units) should be presented in the revenue capacity schedules when they represent (when added together) the reporting government’s most significant own source revenue. It is the choice of the reporting government to present either consolidated data for the ad valorem property taxes or to present separate tables or columns for major components of these taxes (e.g., separate tables or columns for city property taxes and separate tables or columns for redevelopment agency tax increment). If consolidated data is presented, the data must still have an appropriate level of detail (secured, unsecured, etc.).

Notes on the Schedules (Narrative Information)

GASB encourages notes on the schedules to enhance the reader’s understanding of the data. Examples of the type of information that are encouraged to be provided in notations on the schedules are:

1. Assumptions or limitations with respect to the data presented in the schedule.
2. Reasons why certain required data was not presented.
3. Explanations as to how the data was calculated.
4. The age of the data (e.g., the date of assessed valuation).
5. Changes in assumptions (or how the data was developed) affecting some of the presented periods
5. Reconciliations to other data in the CAFR, if necessary to resolve an apparent conflict
6. Explanations of unusual data.
7. Explanations to put the information in perspective.
8. Interpretations of the information for the reader.
9. Other explanations that might be helpful to an uninformed member of the public (what the data in the schedule is meant to communicate and how the data should impact the reader’s assessment of the economic condition of the reporting government).
10. Explanations to assist users unfamiliar with California reporting

IV. REQUIREMENTS FOR SPECIFIC SCHEDULES

FINANCIAL TRENDS INFORMATION

Government-wide financial statement focus:

Net Asset information:

1. Each of the 3 categories of net assets.
2. Government and Business type activities must be presented separately.
3. Totals must be shown for total primary government (including blended component units)

Changes in Net Assets:

- Summary of statement of activities
- Expenses by function (or program or activity)
- Program revenues by category (charges for services, operating grant and contributions, and capital grant and contributions)
- General revenues by type
- Charges for services by function (or program or activity).

Governmental fund financial statement focus:

Fund Balances:

- Show reserved and unreserved balances.
- Show separately for the general fund and all other governmental funds in the aggregate.
- Unreserved fund balance must be presented by fund type.

Changes in Fund Balances:

- Summary of revenues, expenditures, and other changes
- Principal and interest reported separately.
- Add a line for debt service as a percentage of non-capital expenditures.
- Non-capital expenditures are governmental fund expenditures less amounts that were reported as additions to capital assets in the government-wide financial statements.

REVENUE CAPACITY INFORMATION

1. Identify the entity's most significant source of own-source revenues.
2. Own-source revenues are revenues that are generated by the entity itself. Intergovernmental aid and shared revenues are not own-source revenues.
3. If the entity has a second own-source revenue that is nearly as significant, should consider presenting revenue capacity information for that revenue as well.
4. If the entity presents a second own-source revenue, must present all three schedules for that revenue.
5. Not permitted to present (in the "statistical section") revenue schedules for shared revenues.
6. Revenue capacity information relates to schedules displaying information about revenue base, revenue rates, and principal payers of that revenue.

Revenue base:

1. Breakdown base by major component.
2. Show individual rates applied by the entity and total direct rate (revenue divided by base)

If property tax revenue is one of the revenues presented:

1. Show assessed value by major type (residential, etc.).

2. Actual value of taxable property (if not available, explain relationship of assessed value to actual value).

DEBT CAPACITY INFORMATION

Direct and overlapping rates:

1. Show **separately** the individual rates applied to the base by the entity.
2. Show a **total** of the individual rates applied to the base by the entity.
3. Show the rate applied to the revenue base by each overlapping government.

Principal payers (most significant own-source):

1. Identify ten largest payers (or enough to cover 50% of revenue)
2. Revenue base data (or amount paid) for those payers.
3. Percentage of total of base or revenue (for all payers, not just the ten).

If legally prohibited from presenting names of payers, then provide some other meaningful breakdown (type of payer, etc.).

Or list the ten largest without giving their names

Property tax levies:

Only required if property tax is included as one of the presented revenues.

1. For each of the last ten years:
2. Amount levied for that year.
3. Amount of that year's levy collected through the final scheduled distribution.
4. Percentage of that collected amount to total levy.
5. Amount of that year's levy collected in subsequent periods.
6. Total collected to date.
7. Percentage of total collected amount to total levy.

Ratios of Outstanding Debt:

1. Includes all debt.
2. Divided by governmental debt and business-type (enterprise) debt.
3. Within each group, separate columns by type of debt.
4. Grand total for the Entity.
5. Debt divided by personal income.
6. If personal income is not available, can use property values.
7. Also required to present total debt per capita (or divided by total rate payers).

Ratios of General Bonded Debt

General bonded debt:

- All debt payable with general governmental resources
 - Plus GO bonds recorded in enterprise funds
1. Separate column for each type of debt with a total column
 2. Separate column for legally restricted resources for principal only.
 3. Net general bonded debt divided by actual value of taxable property (or other appropriate base)
 4. Per capital also required (or per rate payers, etc.).

Direct and Overlapping Debt:

1. Only required for debt attributable to governmental activities (exclude enterprise debt of the Entity and the overlapping jurisdictions).
2. Total outstanding.
3. Percentage of overlap between the reporting and overlapping governments.
4. Multiply debt by percentage of overlap.
5. Show separately total direct debt and total overlapping debt (also show a grand total).

Legal debt margin:

For current year only:

1. Identify the base (assessed valuation, etc.).
2. Debt limit (and explain how it is calculated – what percentage, etc.).
3. Debt applicable to limit (net of any applicable reserves).
4. Difference (“legal debt margin”).

For ten years:

1. Limit.
2. Debt applicable.
3. Margin.
4. Percentage of debt to limit (or alternative computation).

Pledged revenue coverage:

Financial ability to repay debt (not to demonstrate legal debt compliance).

1. Only applicable to debt secured by a pledge of specific revenue stream.
2. Separate column at least by type of debt.
3. Gross revenues.
4. Expenses (where specified in the pledge)
5. Net revenues (where specified in the pledge)
6. Principal and interest.
7. Coverage ratio.

The nature of the pledged revenues should be clear by the column heading or by a footnote.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic information:

1. Population.
2. Total personal income.
3. Per capita personal income.
4. Unemployment rate.

Obtain data most specific to your entity. If not available, reasonable alternative indicators should be used.

Principal Employers:

For the ten largest employers (unless fewer are needed to account for 50%):

1. Number of employees for that employer
2. That employer's percentage of employment in your jurisdiction.

Employees of the Entity:

By department, program, activity, or function:

1. Number of employees.

OPERATING INFORMATION

Operating Indicators:

By department, program, activity, or function:

1. Demand or level of service.

Capital asset statistics:

By department, program, activity, or function:

1. Volume, usage, or nature.

V. COMMENTS REGARDING EXAMPLE STATISTICAL SCHEDULES FOR A TYPICAL CALIFORNIA CITY

Accompanying this white paper are example statistical schedules for a typical California city. These schedules display only the minimum requirements set forth by GASB No. 44. For those cities that wish to provide additional information in the statistical section, this is permitted to the extent that such additional information conforms to the five categories of information described in GASB No. 44.

These schedules may serve as a helpful “starting point” for California cities and other local governments. Consistent with the spirit of GASB No. 44, local governments are encouraged to tailor the format of these schedules to reflect circumstances relevant to that local government and the personal presentation style of the preparer. GASB No. 44 permits and encourages considerable discretion in the formatting and presentation of the schedules. Some preparers may, for example, prefer to start the multi-year schedules with the most recent year, rather than the earliest year.

Included in the *revenue capacity schedules* are a set of schedules for a typical California water district. Inclusion of these schedules is meant to illustrate how revenue capacity schedules would look for those local governments whose largest own source revenue is an enterprise use fee. Inclusion of these schedules in the accompanying example schedules is not meant to imply that they are required in all instances (or that a local government must include revenue schedules for more than its single largest revenue source).

As a reminder, GASB No. 44 permits implementation on a “go forward” basis, starting with the implementation year. Presentation of prior year columns for the multi-year schedules is encouraged, but by no means required to meet the requirements of GASB No. 44 (or those of the GFOA and CSMFO financial reporting award programs). In addition, different schedules may display a different number of prior periods depending on the different availability of data for prior periods from one schedule to another.

CITY OF EXAMPLE
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 107,152,640	97,402,451	96,630,801	98,563,417
Restricted	25,521,244	24,014,180	31,413,541	32,984,218
Unrestricted	<u>18,382,597</u>	<u>27,475,486</u>	<u>25,686,477</u>	<u>24,402,153</u>
Total governmental activities net assets	<u>\$ 151,056,481</u>	<u>148,892,117</u>	<u>153,730,819</u>	<u>155,949,788</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 84,162,332	94,767,436	93,597,622	95,469,574
Restricted	4,208,117	4,738,372	4,679,881	4,913,875
Unrestricted	<u>5,423,226</u>	<u>8,481,843</u>	<u>12,898,058</u>	<u>11,608,252</u>
Total business-type activities net assets	<u>93,793,675</u>	<u>107,987,651</u>	<u>111,175,561</u>	<u>111,991,701</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 191,314,972	192,169,887	190,228,423	194,032,991
Restricted	29,729,361	28,752,552	36,093,422	37,898,093
Unrestricted	<u>23,805,823</u>	<u>35,957,329</u>	<u>38,584,535</u>	<u>36,010,405</u>
Total primary government net assets	<u>\$ 244,850,156</u>	<u>256,879,768</u>	<u>264,906,380</u>	<u>267,941,489</u>

The City of Example implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF EXAMPLE
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 13,218,256	13,543,727	15,374,618	15,682,110
Public safety	23,916,193	25,983,045	29,727,888	30,322,445
Public works	15,073,298	18,345,163	17,601,738	17,953,772
Community development	8,461,793	7,626,609	7,820,688	7,779,141
Interest on long-term debt	5,091,203	6,695,622	8,073,271	8,476,934
Total governmental activities expenses	<u>65,760,743</u>	<u>72,194,166</u>	<u>78,598,203</u>	<u>80,214,402</u>
Business-type activities:				
Water	6,987,327	8,953,350 ¹	9,294,924	9,480,822
Wastewater	4,339,653	4,357,601	3,959,845	4,039,041
Golf Course	3,579,841	3,437,071	3,302,942	3,369,000
Total business-type activities expenses	<u>14,906,821</u>	<u>16,748,022</u>	<u>16,557,711</u>	<u>16,888,863</u>
Total primary government expenses	<u>80,667,564</u>	<u>88,942,188</u>	<u>95,155,914</u>	<u>97,103,265</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	1,742,460	2,665,919	3,545,708	2,879,192
Public safety	1,385,647	1,679,105	1,838,317	1,875,083
Public works	3,924,009	6,615,235	6,668,066	6,801,427
Community development	1,446,359	813,030	833,594	850,265
Operating grants and contributions	5,965,966	5,951,289	6,068,499	6,070,314
Capital grants and contributions	1,326,928	4,535,994	7,512,845 ²	4,309,194
Total governmental activities program revenues	<u>15,791,369</u>	<u>22,260,572</u>	<u>26,467,029</u>	<u>22,785,475</u>
Business-type activities:				
Charges for services:				
Water	6,502,760	8,707,335 ¹	8,927,189	9,105,732
Wastewater	4,948,238	4,753,565	3,924,349	4,002,835
Golf Course	3,560,521	3,596,443	3,352,003	3,419,043
Operating grants and contributions	275,877	262,975	275,031	280,531
Capital grants and contributions	911,092	1,503,653	1,771,198	1,806,621
Total business-type activities program revenues	<u>16,198,488</u>	<u>18,823,971</u>	<u>18,249,770</u>	<u>18,614,762</u>
Total primary government program revenues	<u>31,989,857</u>	<u>41,084,543</u>	<u>44,716,799</u>	<u>41,400,237</u>
Net revenues (expenses):				
Governmental activities	(49,969,374)	(49,933,594)	(52,131,174)	(57,428,927)
Business-type activities	<u>1,291,667</u>	<u>2,075,949</u>	<u>1,692,059</u>	<u>1,725,899</u>
Total net revenues (expenses)	<u>(48,677,707)</u>	<u>(47,857,645)</u>	<u>(50,439,115)</u>	<u>(55,703,028)</u>

CITY OF EXAMPLE
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	15,283,369	16,669,946	19,688,262	19,885,144
Sales tax	9,179,359	7,866,291	8,376,432	8,795,253
Transient occupancy taxes	12,421,094	12,318,252	13,024,611	13,675,841
Other taxes	7,440,380	8,364,752	10,794,451	11,010,340
Motor vehicle in lieu, unrestricted	2,528,936	2,015,040	3,334,178	3,400,861
Investment income	1,183,404	1,270,027	1,283,702	385,110
Other general revenues	2,407,261	1,675,968	3,068,240	2,454,592
Transfers	(200,000)	(783,800)	(500,000)	(769,030)
Total governmental activities	<u>50,243,803</u>	<u>49,396,476</u>	<u>59,069,876</u>	<u>58,838,111</u>
Business-type activities:				
Investment income	314,662	403,959	454,342	136,302
Transfers	200,000	783,800	500,000	769,030
Total business-type activities	<u>514,662</u>	<u>1,187,759</u>	<u>954,342</u>	<u>905,332</u>
Total primary government	<u>50,758,465</u>	<u>50,584,235</u>	<u>60,024,218</u>	<u>59,743,443</u>
Changes in net assets				
Governmental activities	274,429	(537,118)	6,938,702	1,409,184
Business-type activities	1,806,329	3,263,708	2,646,401	2,631,231
Total primary government	<u>\$ 2,080,758</u>	<u>2,726,590</u>	<u>9,585,103</u>	<u>4,040,415</u>

*The City of Example implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

¹ The increase in the Water Fund revenues and expenditures is due to a 30% increase in the Metropolitan Water District water rates, which were passed on to the customer.

² The City received a \$3 million grant in 2005 to finance a street widening project.

³ Investment income for the year ended June 30, 2006 includes unrealized losses of \$892,606.

CITY OF EXAMPLE
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 7,288,265	3,591,038	4,188,298	4,397,712
Unreserved	<u>4,273,602</u>	<u>5,626,137</u>	<u>3,173,725</u>	<u>3,332,411</u>
Total general fund	<u>\$ 11,561,867</u>	<u>9,217,175</u>	<u>7,362,023</u>	<u>7,730,123</u>
All other governmental funds:				
Reserved	\$ 24,551,917	52,388,735	36,382,269	38,201,382
Unreserved, reported in:				
Special revenue funds	14,756,777	21,669,586	28,122,322	26,716,205
Capital projects funds	<u>2,913,866</u>	<u>9,929,779</u> ¹	<u>7,861,848</u>	<u>8,254,940</u>
Total all other governmental funds	<u>\$ 42,222,560</u>	<u>83,988,100</u>	<u>72,366,439</u>	<u>73,172,527</u>

The City of Example has elected to show only four years of data for this schedule.

¹ Reserved fund balance at June 30, 2004 includes unexpended bond proceeds from the 2004 Tax Allocation Bonds.

CITY OF EXAMPLE

Changes in Fund Balances of Governmental Funds

Last Four Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 47,779,601	51,075,535	54,690,386	57,424,905
Licenses and permits	2,782,782	4,470,867	5,876,989	5,583,139
Fines and forfeitures	659,795	698,223	561,376	589,444
Investment income	1,263,416	1,060,940	1,966,416	1,769,774
Rental income	472,794	473,116	488,433	498,201
Intergovernmental	5,629,915	7,536,093	7,929,990	7,895,590
Charges for services	4,483,641	5,276,081	6,518,315	6,192,399
Other	3,616,379	4,513,686	4,457,003	4,234,152
Total revenues	<u>66,688,323</u>	<u>75,104,541</u>	<u>82,488,908</u>	<u>84,187,604</u>
Expenditures				
Current:				
General government	15,646,659	16,702,911	18,972,719	17,538,056
Public safety	24,053,352	26,334,589	28,730,331	29,166,847
Public works	15,415,396	15,875,528	16,774,160	16,438,676
Community development	9,898,201	10,353,821	7,388,442	8,127,286
Debt service:				
Principal retirement	3,348,662	3,390,898	3,604,210	3,784,420
Interest and fiscal charges	6,567,593	7,146,398	8,562,899	8,658,527
Total expenditures	<u>74,929,863</u>	<u>79,804,145</u>	<u>84,032,761</u>	<u>83,713,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,241,540)</u>	<u>(4,699,604)</u>	<u>(1,543,853)</u>	<u>473,792</u>
Other financing sources (uses):				
Transfers in	9,062,949	11,218,927	14,891,974	14,947,375
Transfers out	(8,012,949)	(11,518,927)	(15,391,974)	(14,622,375)
Issuance of bonds	8,000,000	40,000,000	2,500,000	-
Payment to bond escrow agent	-	(29,312,819)	-	-
Total other financing sources (uses)	<u>9,050,000</u>	<u>10,387,181</u>	<u>2,000,000</u>	<u>325,000</u>
Net change in fund balances	<u>\$ 808,460</u>	<u>5,687,577</u>	<u>456,147</u>	<u>798,792</u>
Debt service as a percentage of noncapital expenditures	15.0%	16.7%	18.5%	22.3%

The City of Example has elected to show only four years of data for this schedule.

CITY OF EXAMPLE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions ¹		Secured	Unsecured	Less: Exemptions ¹		
1997	\$ 2,472,904	218,647	(52,523)	2,639,028	2,720,194	217,615	(54,403)	2,883,406	0.149%
1998	2,458,189	223,367	(53,856)	2,627,700	2,949,826	235,986	(58,996)	3,126,816	0.149%
1999	2,489,307	223,222	(72,937)	2,639,592	3,236,099	258,887	(64,721)	3,430,265	0.149%
2000	2,610,045	236,182	(71,238)	2,774,989	3,654,063	292,325	(73,081)	3,873,307	0.149%
2001	2,860,275	254,745	(77,950)	3,037,070	4,004,385	320,350	(80,087)	4,244,648	0.147%
2002	2,979,689	254,788	-	3,234,477	4,171,564	292,009	-	4,463,573	0.146%
2003	3,282,202	294,806	-	3,577,008	4,595,082	298,680	-	4,893,762	0.146%
2004	3,549,015	303,005	-	3,852,020	4,968,621	322,960	-	5,291,581	0.146%
2005	3,847,636	314,786	-	4,162,422	5,386,690	323,201	-	5,709,891	0.146%
2006	4,257,027	345,665	-	4,602,692	5,959,837	357,590	-	6,317,427	0.146%

¹ Beginning with the fiscal year ended June 30, 2002, exemptions are netted directly against the individual property categories.

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Notes to preparer:

The "total direct rate shown above can be computed by dividing the amount of total property tax revenue recognized in the financial statements by the total base (assessed valuation). This is mathematically the same result as adding together the "weighted average of the individual direct rates" that are included in the "total direct rate".

Some preparers may wish to present in the above schedule separate columns for the "direct rate" of the city and the "direct rate" of the redevelopment agency. In that instance, a "total direct rate" would also be shown for combination of the two rates, computed as described above. [This total would not represent the mathematical addition of the two separate rates (because of the two different bases).]

Separate schedules can be used for redevelopment agency property tax (tax increment) data and city property tax data if so desired by the preparer, as long as all ad valorem tax data for the primary government (including component units) is presented.

Source: Example County Assessor's Office

CITY OF EXAMPLE
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Direct Rates:										
City basic rate	\$0.123	0.123	0.123	0.123	0.122	0.121	0.121	0.121	0.121	0.121
Redevelopment agency	<u>0.026</u>	<u>0.026</u>	<u>0.026</u>	<u>0.026</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>	<u>0.025</u>
Total City Direct Rate	0.149	0.149	0.149	0.149	0.147	0.146	0.146	0.146	0.146	0.146
Overlapping Rates:										
Example Water District	0.009	0.009	0.009	0.009	0.009	0.009	0.008	0.007	0.006	0.006
Example Sanitary District	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003	0.003
Example Unified School District	0.003	0.001	0.002	0.001	0.004	0.008	0.008	0.010	0.013	0.012
Example Unified School District Bonds	0.010	0.012	0.011	0.011	0.006	0.002	0.002	0.008	0.006	0.007
County of Example	<u>0.836</u>	<u>0.838</u>	<u>0.837</u>	<u>0.838</u>	<u>0.837</u>	<u>0.834</u>	<u>0.835</u>	<u>0.834</u>	<u>0.832</u>	<u>0.833</u>
Total Direct Rate	<u>\$1.010</u>	<u>1.012</u>	<u>1.011</u>	<u>1.011</u>	<u>1.006</u>	<u>1.002</u>	<u>1.002</u>	<u>1.008</u>	<u>1.006</u>	<u>1.007</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the Example Unified School District bonds.

Source: Example County Assessor's Office

CITY OF EXAMPLE
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Alta Vista Partners LLC	\$ 11,535,390	0.11%	-	0.00%
Home Depot USA Inc	8,917,002	0.08%	-	0.00%
Carriage Inn	7,600,000	0.07%	7,600,000	0.14%
Drummond Medical Group, Inc	6,912,625	0.06%	6,640,084	0.12%
Wal-Mart Stores Inc	6,627,126	0.06%	6,839,579	0.12%
Ridgecrest Heritage Inn	6,211,243	0.06%	6,687,363	0.12%
Albertsons, Inc	5,009,033	0.05%	5,885,308	0.11%
Ridgecrest Capital Limited Partnership	4,626,402	0.04%	4,632,441	0.08%
Dayton Hudson Corporation	4,557,996	0.04%	-	0.00%
Heritage Center LLC	4,118,638	0.04%	-	0.00%
William Harrison Trust	-	0.00%	4,904,792	0.09%
Mervyns	-	0.00%	4,492,793	0.08%
First Berkshire Properties LLC	-	0.00%	4,350,000	0.08%
Ridgecrest Healthcare Investment	-	0.00%	3,842,939	0.07%
	<u>\$ 66,115,455</u>	<u>0.61%</u>	<u>55,875,299</u>	<u>1.01%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Example County Assessor's Office

CITY OF EXAMPLE
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Endec June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$9,348,379	9,235,614	98.79%	327,947	9,563,561	102.30%
1998	9,337,804	9,263,205	99.20%	257,630	9,520,835	101.96%
1999	7,684,452	7,593,383	98.81%	103,349	7,696,732	100.16%
2000	8,184,611	7,797,963	95.20%	94,421	7,892,384	96.40%
2001	9,611,137	9,386,921	97.67%	194,126	9,581,047	99.69%
2002	11,354,546	11,138,314	98.10%	228,028	11,366,342	100.10%
2003	12,103,606	11,516,653	95.15%	188,043	11,704,696	96.70%
2004	13,836,882	13,412,596	96.93%	237,488	13,650,084	98.65%
2005	15,305,359	15,143,845	98.95%	299,444	15,443,289	100.91%
2006	16,559,037	21,306,966	128.67%	216,894	21,523,860	129.98%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Source: Example County Auditor Controller's Office

CITY OF EXAMPLE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds ¹	Loans	
1997	\$ 3,165,000	12,450,000	8,540,000	24,155,000
1998	3,095,000	11,827,500	8,113,000	23,035,500
1999	3,075,000	11,236,000	7,500,000	21,811,000
2000	3,050,000	16,236,000	6,750,000	26,036,000
2001	3,025,000	15,424,000	6,075,000	24,524,000
2002	2,995,000	14,652,000	5,467,000	23,114,000
2003	2,965,000	13,186,000	13,467,000	16,432,000
2004	2,930,000	23,186,000	12,130,000	38,246,000
2005	2,895,000	23,436,000	10,917,000	37,248,000
2006	2,855,000	23,356,000	9,825,500	36,036,500

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ The City issued over \$87 million of new tax allocation bonds in 2003.

² These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities					
Water Revenue Bonds	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
3,665,000	2,535,000	6,200,000	30,355,000	2.14%	651
3,620,000	3,859,940	7,479,940	30,515,440	2.12%	645
3,570,000	2,190,000	5,760,000	27,571,000	1.81%	571
3,520,000	4,545,000	8,065,000	34,101,000	2.13%	692
3,460,000	3,090,000	6,550,000	31,074,000	1.82%	618
3,400,000	3,355,000	6,755,000	29,869,000	1.55%	569
3,335,000	3,370,000	6,705,000	23,137,000	1.12%	421
3,265,000	3,140,000	6,405,000	44,651,000	1.91%	736
3,190,000	3,040,000	6,230,000	43,478,000	1.84%	689
3,110,000	2,805,000	5,915,000	41,951,500	1.68%	642

CITY OF EXAMPLE

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
1997	\$ 3,165	12,450	15,615	0.28%	68
1998	3,095	11,828	14,923	0.26%	65
1999	3,075	11,236	14,311	0.24%	64
2000	3,050	16,236	19,286	0.29%	62
2001	3,025	15,424	18,449	0.25%	60
2002	2,995	14,652	17,647	0.23%	57
2003	2,965	13,186	16,151	0.19%	54
2004	2,930	23,186	26,116	0.29%	48
2005	2,895	23,436	26,331	0.27%	46
2006	2,855	23,356	26,211	0.24%	44

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF EXAMPLE
Direct and Overlapping Debt
June 30, 2005

City Assessed Valuation		\$ 4,602,692	
Redevelopment Agency Incremental Valuation		<u>6,317,427</u>	
Total Assessed Valuation		<u>\$ 10,920,119</u>	
			Estimated Share of Overlapping Debt
	Percentage Applicable ¹	Outstanding Debt 6/30/05	Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Example Unified School District General Obligation Bonds	8.264%	\$ 11,319,201	935,419
Example Community College District	3.914%	2,754,551	107,813
Example Unified School District Lease Tax Obligations	8.264%	1,848,243	152,739
Example County Water District, I.D. No. 54	25.322%	1,185,070	300,083
Example County Water District, I.D. No. 55	2.103%	<u>13,722,100</u>	<u>288,576</u>
Total overlapping debt repaid with property taxes		<u>30,829,165</u>	<u>1,784,630</u>
Overlapping Other Debt:			
Example County Capital Leases	0.801%	\$ 4,977,010	39,866
Example County Board of Education Certificates of Participation	0.801%	9,784,200	78,371
Example Unified School District Certificates of Participation	8.264%	1,220,180	100,836
Example County Water District Certificates of Participation	5.541%	5,280,570	292,596
Example Recreation and Park District Certificates of Participation	6.975%	<u>1,858,840</u>	<u>129,654</u>
Total overlapping other debt		<u>23,120,800</u>	<u>641,323</u>
Total overlapping debt		<u>\$ 23,120,800</u>	641,323
City direct debt			<u>36,036,500</u>
Total direct and overlapping debt			<u>\$36,677,823</u>

Notes:

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

CITY OF EXAMPLE
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	\$ 4,602,692,853	4,786,800,567	4,978,272,590	5,177,403,494
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 1,150,673,213	1,196,700,142	1,244,568,148	1,294,350,873
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	172,600,982	179,505,021	186,685,222	194,152,631
Total net debt applicable to limit: General obligation bonds	<u>3,158,670</u>	<u>3,079,525</u>	<u>3,059,625</u>	<u>3,034,750</u>
Legal debt margin	<u>\$ 169,442,312</u>	<u>176,425,496</u>	<u>183,625,597</u>	<u>191,117,881</u>
Total debt applicable to the limit as a percentage of debt limit	1.8%	1.7%	1.6%	1.6%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department
 Example County Tax Assessor's Office

Fiscal Year						
2001	2002	2003	2004	2005	2006	
5,384,499,634	5,599,879,619	5,823,874,804	6,056,829,796	6,299,102,988	6,551,067,107	
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,346,124,908	1,399,969,905	1,455,968,701	1,514,207,449	1,574,775,747	1,637,766,777	
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
201,918,736	209,995,486	218,395,305	227,131,117	236,216,362	245,665,017	
<u>3,009,875</u>	<u>2,980,025</u>	<u>2,950,175</u>	<u>2,915,350</u>	<u>2,889,210</u>	<u>2,855,000</u>	
<u>198,908,861</u>	<u>207,015,461</u>	<u>215,445,130</u>	<u>224,215,767</u>	<u>233,327,152</u>	<u>242,810,017</u>	
1.5%	1.4%	1.4%	1.3%	1.2%	1.2%	

CITY OF EXAMPLE
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ -	-	-	-	-	-
1998	-	-	-	-	-	-
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	30,521	13,734	16,787	710	1,577	7.34
2004	31,124	14,006	17,118	735	1,550	7.49
2005	31,685	14,258	17,427	765	1,522	7.62
2006	30,903	13,906	16,997	795	1,493	7.43

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

Tax Allocation Bonds

Tax Increment	Debt Service		Coverage
	Principal	Interest	
9,172	1,300	6,963	1.11
9,088	1,400	6,862	1.10
7,757	1,530	6,722	0.94
7,829	1,690	6,595	0.95
7,996	1,880	6,363	0.97
7,531	2,100	6,131	0.92
8,444	2,350	5,888	1.03
8,568	2,630	5,648	1.04
8,688	2,940	5,334	1.05
8,625	3,280	4,971	1.05

CITY OF EXAMPLE
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1996	46,600	\$ 1,418,085	30,431	3.7%
1997	47,305	1,439,964	30,440	3.6%
1998	48,250	1,526,389	31,635	2.1%
1999	49,253	1,599,885	32,483	1.9%
2000	50,302	1,702,723	33,850	2.0%
2001	52,455	1,921,532	36,632	2.0%
2002	54,919	2,062,044	37,547	3.2%
2003	60,701	2,343,726	38,611	3.1%
2004	63,100	2,367,512	37,520	2.5%
2005	65,338	2,493,102	38,157	3.0%

Sources:

- (1) State Department of Finance
- (2) Office of Economic Development
- (3) State of California Employment Development Department (data shown is for the County)

CITY OF EXAMPLE
Principal Employers
Current Year and Nine Years Ago

Employer	2006		1997	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente	1,100	3.70%	950	3.20%
ICU Medical	604	2.03%	590	1.99%
Martin Hospital	320	1.08%	-	0.00%
Albertson's Grocery	267	0.90%	210	0.71%
Wal-Mart	245	0.81%	-	0.00%
Smidt Institute Diagnostics	245	0.81%	100	0.34%
The Home Depot	240	0.79%	205	0.69%
City of Example	238	0.78%	141	0.49%
Lenton International	210	0.71%	230	0.77%
The Fish House	195	0.66%	-	0.00%
Hamilton Technology	-	0.00%	150	0.51%
Ralph's Grocery	-	0.00%	210	0.71%
Boone Inc.	-	0.00%	520	1.75%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: State Department of Commerce
City of Example
InfoUSA

CITY OF EXAMPLE
 Full-time and Part-time City Employees
 by Function
 Last Ten Fiscal Years

Function	Full-Time and Part-time Employees as of June 30									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	34	29	26	26	27	28	28	28	28	30
Public safety ¹	12	12	106	106	107	112	113	113	113	109
Public works	23	24	16	16	18	19	19	18	19	19
Community										
development	20	19	18	19	20	22	22	22	22	23
Water	15	12	16	16	16	20	23	23	23	23
Wastewater	20	20	16	13	13	15	17	17	17	18
Golf Course	<u>17</u>	<u>17</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
Total	<u>141</u>	<u>133</u>	<u>214</u>	<u>212</u>	<u>217</u>	<u>232</u>	<u>238</u>	<u>237</u>	<u>238</u>	<u>238</u>

¹ Police and fire services were provided by the County prior to 1999.

Source: City Budget Office

CITY OF EXAMPLE
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	Fiscal Year				
	1997	1998	1999	2000	2001
Police:					
Arrests	\$ 11,427	11,542	11,016	11,127	11,471
Parking citations issued	17,025	17,984	18,287	18,311	23,298
Fire:					
Number of emergency calls	1,540	1,399	1,583	1,593	1,610
Inspections	1,954	1,726	2,521	2,342	2,900
Public works:					
Street resurfacing (miles)	20.71	22.60	25.93	27.51	28.29
Parks and recreation:					
Number of recreation classes	42	69	210	298	429
Number of facility rentals	825	942	1,262	1,200	1,242
Water:					
New connections	268	267	213	331	114
Average daily consumption (thousands of gallons)	6,972	7,097	7,290	7,912	8,905
Sewer:					
New connections	285	226	198	309	119
Average daily sewage treatment (thousands of gallons)	4,058	4,219	4,320	4,630	4,410
Golf course:					
Golf rounds played ¹	\$ -	-	-	-	100,887

¹ The Example Municipal Golf Course was constructed in 2000.

Fiscal Year

2002	2003	2004	2005	2006
11,587	11,704	12,192	12,701	13,517
21,128	24,347	22,742	21,947	23,623
1,713	1,689	1,937	2,262	2,324
2,969	3,051	3,481	3,923	3,375
31.90	40.38	40.83	45.46	48.94
934	1,289	2,187	3,221	3,704
2,572	3,469	3,173	3,208	3,414
344	547	320	186	95
8,519	9,398	9,127	9,226	9,602
311	584	243	265	117
4,380	4,360	4,430	4,450	4,660
109,884	111,027	108,800	119,210	115,547

CITY OF EXAMPLE
 Capital Asset Statistics
 by Function
 Last Ten Fiscal Years

	Fiscal Year				
	1997	1998	1999	2000	2001
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	3	3	3	3	3
Public works:					
Streets (miles)	121.20	121.20	122.08	122.08	122.08
Streetlights	2,706	2,706	2,810	2,842	2,915
Traffic signals	34	35	36	38	44
Parks and recreation:					
Parks	17	17	17	18	18
Community centers	1	1	1	1	1
Water:					
Water mains (miles)	156.70	158.40	158.90	161.44	166.44
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500	12,500	12,500
Wastewater:					
Sanitary sewers (miles)	166.00	167.70	167.80	171.32	175.82
Storm sewers (miles)	36.60	38.10	38.30	42.30	49.30
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976	6,976	6,976
Golf Course:					
Municipal golf courses	-	-	-	-	1

Source: City of Example

Fiscal Year				
2002	2003	2004	2005	2006
1	1	1	1	1
3	3	3	3	3
122.08	127.14	131.76	132.60	133.10
2,956	2,967	3,039	3,183	3,185
44	48	51	58	69
18	19	19	19	21
1	2	2	2	2
167.90	170.60	172.50	172.90	172.90
12,500	12,500	12,500	12,500	12,500
176.90	178.40	179.15	179.15	179.15
51.40	53.50	57.60	57.60	57.60
6,976	6,976	6,976	6,976	6,976
1	1	1	1	1

EXAMPLE WATER DISTRICT
Water Sold by Type of Customer
Last Ten Fiscal Years
(in millions of gallons)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Type of Customer:										
Residential	1,857.3	1,912.1	2,151.6	2,237.4	2,233.4	2,340.0	2,425.3	2,553.2	2,769.8	2,859.1
Industrial	1,347.5	1,351.3	1,471.7	1,483.3	1,453.4	1,543.2	1,600.3	1,633.6	1,716.5	1,745.3
Commercial	351.9	394.6	436.1	458.0	418.3	375.9	335.2	366.5	385.5	381.8
Military	56.1	56.9	71.3	73.1	86.6	85.0	95.2	111.4	117.1	137.3
Government	15.8	16.2	22.1	21.5	25.2	27.6	35.2	42.2	40.4	46.0
 Total	 3,628.6	 3,731.1	 4,152.8	 4,273.3	 4,216.9	 4,371.7	 4,491.2	 4,706.9	 5,029.3	 5,169.5
 Total direct rate per 1,000 gallons	 \$ 1.35	 1.35	 1.35	 1.38	 1.41	 1.45	 1.45	 1.45	 1.48	 1.48

Source: Example Water District, Finance Department

EXAMPLE WATER DISTRICT

Water Rates

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Monthly Base Rate</u>	<u>Rate per 1,000 Gallons</u>
1997	\$ 7.03	2.35
1998	7.03	2.35
1999	7.03	2.38
2000	7.03	2.41
2001	7.04	2.41
2002	7.04	2.41
2003	7.21	2.47
2004	7.21	2.47
2005	7.21	2.47
2006	7.39	2.53

NOTE:

Rates are based on 5/8" meter, which is the standard household meter size. The District charges an excess-use rate above normal demand.

EXAMPLE WATER DISTRICT
Water Customers
Current Year and Nine Years Ago

Water Customer	2006		1997	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Embassy Suites	\$ 58,638	0.77%	-	0.00%
Pederson Properties, LLC	58,170	0.76%	-	0.00%
Growers Nursery	57,008	0.75%	56,530	1.15%
Residence Inn	52,903	0.69%	53,687	1.10%
Lake Shores Golf Resort	49,626	0.65%	48,395	0.99%
First Pacifica	45,402	0.59%	47,363	0.97%
Toyota Motor Credit	23,807	0.31%	45,308	0.92%
Example County Fire Authority	20,640	0.27%	32,441	0.66%
United Parcel Service	18,646	0.24%	-	0.00%
Best Western	16,479	0.22%	-	0.00%
Marriott Suites	-	0.00%	24,792	0.51%
University of Example	-	<u>0.00%</u>	<u>22,939</u>	<u>0.47%</u>
	<u>\$ 401,319</u>	<u>5.25%</u>	<u>331,455</u>	<u>6.77%</u>

Source: District Customer Services Department